FIFTY YEARS IN WALL STREET

By Henry Clews

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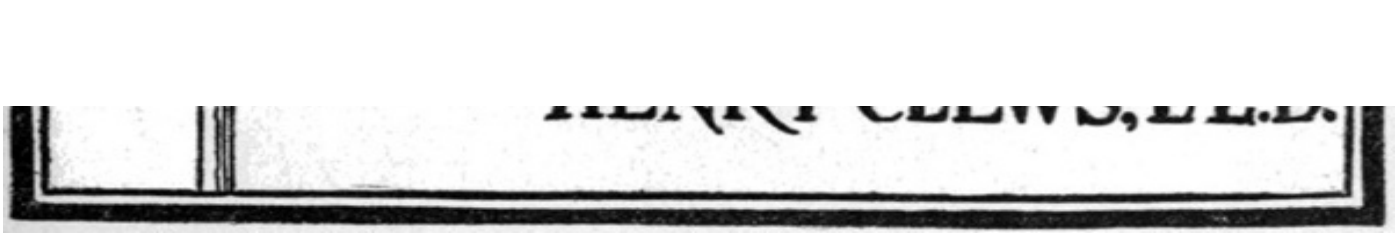

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By

HENRY CLEWS, LL.D.

Eng. by E. G. Williams & Bro. NY
Henry Clews

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FIFTY YEARS IN

WALL STREET

"TWENTY-EIGHT YEARS IN WALL STREET," REVISED AND ENLARGED BY A RÉSUMÉ OF THE PAST TWENTY-TWO YEARS, MAKING A RECORD OF FIFTY YEARS IN WALL STREET

BY

HENRY CLEWS, LL.D.

SUBJECTS THAT ARE OF NECESSITY BRIEFLY TOUCHED UPON IN ORDER TO KEEP WITHIN THE SCOPE OF THE PRESENT WORK FIND FULLER EXPOSITION IN THE AUTHOR'S "WALL STREET POINT OF VIEW," FOR FURTHER REFERENCE TO WHICH SEE NOTICE AT THE END

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BY HENRY CLEWS

PREFACE BY THE AUTHOR.

This volume is respectfully inscribed to the thoughtful men interested in financial affairs the World over. This means almost anybody and practically everybody. It will be found of especial interest to the Bankers and Brokers in Wall Street - the Financial Centre of the New World and destined to be of the Whole World. Wherever suggestions it means the lessons of Experience; wherever Reflection, it is historical from memory; wherever Prospective it is based upon trust and belief in the greatness and growth of our Country and of the increasing importance of its money Centre.

Henry Clews -

15 TO 17 BROAD STREET NEW YORK.

To My Readers:

The following pages are intended to throw some light on imperfectly known events connected with Wall Street speculations and investments, and also upon the condition and progress of the country from a financial standpoint, during the fifty years which I have experienced in the great money center.

The theme is worthy of an abler pen, but in the absence of other contributors to this branch of our National history, I venture the plain narrative of an active participator in the financial events of the time in which I have lived.

I have also made a brief retrospect of the history of Wall Street, and financial affairs connected therewith since the origin of the Stock Exchange in New York City.

In sketching the men and events of Wall Street, I have freely employed the vernacular of the speculative fraternity as being best adapted to a true picture of their characteristics, although probably not most consonant with literary propriety.

I have simply attempted to unfold a plain, unvarnished tale, drawing my material from experience and the records of reliable narrators.

HENRY CLEWS.

NEW YORK, March 31, 1908.

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DEDICATION

TO THE

VETERANS OF WALL STREET,

MOST OF WHOM I HAVE KNOWN PERSONALLY.

My Dear Friends:

I have attempted, in the following pages, to relate in a simple and comprehensive manner, without any aim at elaboration, the leading features of the most prominent events that have come within the sphere of my personal knowledge and experience during the twenty-eight years of my busy life in Wall street. I have never kept a diary regularly, but have been occasionally in the habit of preserving certain memoranda in the form of letters, and a few scraps from the newspapers at various times. With these imperfect mementoes, I have revived my recollection to dictate to my stenographer the matter which these pages contain, in a somewhat crude form and unfinished style. In fact, I have not aimed at either finish or effect, not having time for it, but have simply made a collection of important facts in my own experience that may help the future historian of Wall Street to preserve for the use, knowledge and edification of posterity some of the most conspicuous features and events in the history of the place that is yet destined to be the great financial centre of the world.

If I can only succeed, out of all the poorly-arranged material I have gathered, in furnishing the historian of the future with a few facts for a portion of one of his chapters, I shall have some claim upon the gratitude of posterity.

In my description of Drew, Vanderbilt, Gould, Travers, Keene, Conkling and others, I have followed the advice which Oliver Cromwell gave his portrait painter: "Paint me as I am," he said. "If you leave out a scar or a wrinkle, I shall not pay you a farthing." I have given my opinion of men and things also without any superstitious regard for the proverb *de mortuis nil nisi bonum*.

I have also endeavored to refrain from setting down aught in malice. Many of those referred to are now dead.

When any of those gentlemen of whom I have had occasion to speak, who still survive, shall write a book, they can indulge in the same privilege with my name that I have done with theirs, whether I am living or dead at the time.

I shall ask no indulgence for myself that I don't accord to others.

I have expressed my opinions freely from a Wall Street point of view, from the standpoint of the much-abused operator and broker, and "bloated bondholder."

I have endeavored to enlighten the public on the true status of Wall Street, as the very backbone of the country's progress and prosperity, instead of misrepresenting it as a den of gamblers, according to the ignorant and somewhat popular prejudice of the majority who have attempted to write or speak on the subject. This feeling has been largely fostered by clergymen, on hearsay evidence, as well as by the practices of professional swindlers, who have been smuggled into Wall Street from time to time, but who have no legitimate connection therewith any more than they have with the church, which repudiates them as soon as it discovers them.

In fact, the great aim of the book is to place Wall Street in its true light before the eyes of the world, and help to efface the many wrong impressions the community have received regarding the method of doing business in the great financial mart to which the settlement of accounts in all our industry, trade and commerce naturally converges.

I have endeavored to correct the utterly erroneous impression that prevails outside Wall Street, in regard to the nature of speculation, showing that it is virtually a great productive force in our political and social economy, and that without it railroad enterprise and other branches of industrial development which have so largely increased the wealth of the nation, would have made but slow progress.

To preserve and inculcate these ideas by putting them in what I hope may be a permanent form, is another object of publishing this volume. I know you can sympathize with me in this effort to set public opinion right, as many of you have long been making strenuous endeavors after success in the same direction.

To put the whole matter, then, into one short and comprehensive clause, my cardinal object in this book is to give the general public a clearer insight of the reputed mystery and true inwardness of Wall Street affairs.

In my relation of certain reminiscences of Wall Street, and in discussing the checkered career of certain brokers, operators and politicians, I have endeavored to be guided by a historic aphorism of Lord Macaulay:

"No past event has any intrinsic importance," says the great essayist, litterateur, historian and statesman. "The knowledge of it is valuable," he adds, "only as it leads us to form just calculations with respect to the future."

In the samples of my experience which I have given in this book I have aimed, to some extent, at this rendition of the noble purposes of history and biography in their philosophic and scientific application of teaching by example. If I have fallen far short of this high ideal of the British Essayist, as I humbly feel that I have, I must throw myself on the kind indulgence of the readers, and ask them to take the will for the deed. For the presentation of the facts themselves I crave no indulgence. They are gems worthy of preservation in the light of the above definition. I only submit that the setting might be much better.

My chapters on politics may be considered foreign to the main issue, but as many of the events therein described were intimately connected with my business career, I think they are not much of a digression.

HENRY CLEWS.

INTRODUCTORY.

MY PART IN MARKETING THE UNITED STATES CIVIL WAR LOANS.

By Henry Clews, LL.D.

To a very large majority of Americans now living the great Civil War—waged from 1861 to 1865—between the North and the South is only known as a matter of history. But it was the greatest war the world ever witnessed, involving the loss of nearly a million of men, and I have a vivid recollection of it, for I was an actor in it, from its beginning to its end, to the extent of providing some of the sinews of war for the United States Government, without which it could not have defeated the armies of secession, and preserved the Union.

From the time that Abraham Lincoln was elected to the Presidency of the United States, in November, 1860, the South began to prepare for secession from the North, peaceably if the North consented, but by war if it resisted. It was bent on this course because it foresaw in a Republican administration at Washington its practical loss of control of Congress and the spoils of office—in fact, of the Government itself—that it had so long enjoyed under Democratic administrations. James Buchanan's term as President having expired on March 4, 1861, Abraham Lincoln was then inaugurated as his successor. It angered the South to see a Republican succeed a Democrat in the White House, and it precipitated the tremendous conflict that followed, by seizing Fort Moultrie, in Charleston Harbor, and firing on Fort Sumter. Fort Moultrie's guns awoke the North to action, and made it a determined unit in defense of the flag that had been fired upon, and its cry was, "The Union must and shall be preserved!"

As this was the most eventful and critical period in our national history since 1776, and so many know it only by what they have read of it, I will give a general idea of its salient features bearing upon the Government finances and the war loans.

When, after the bombardment of Fort Sumter by Fort Moultrie, on April 14, 1861, Major Robert Anderson, the Union commander, accepted, under the stern necessities of the situation, General Beauregard's terms of evacuation, the die was cast.

The North picked up the gauntlet of war with patriotic enthusiasm, and the great conflict had begun. But when our troops marched out of that dismantled stronghold of the Union, with drums beating and colors flying, it is safe to say that few or none, either in the North or the South, foresaw the long and mighty struggle that would, for four eventful years, follow the bombardment of Fort Sumter, during which gold would become demonetized before the end of the year. It did so on December 30, 1861, and in the darkest days of the conflict commanded a premium as high as one hundred and eighty-five per cent. over United States legal tender notes, making these worth only 54 1/20 cents in gold, while United States bonds were selling for about 60 cents on the dollar in gold.

When the New York Clearing House agreed, on the date named, to suspend specie payments, the example was at once followed by all the banks in the country, and gold immediately began to command a small premium. None supposed then that the suspension would continue for eighteen years.

In England, during the long suspension from 1797 to 1821—through the Napoleonic wars—the premium on gold never rose above forty-one per cent., and that was in 1814, the year before the end of hostilities. This was owing to the policy of William Pitt and his successors in the management of the British finances. They raised all the money needed for war purposes by taxation and loans, thus restricting the paper money issues, so as to prevent currency inflation, whereas we pursued the opposite course.

When Fort Sumter was fired upon, my firm—Livermore, Clews & Co.—was already prominent in Wall Street, and I immediately began to devise ways and means to help the Government to raise the money that I saw would be necessary to prosecute the war for the Union which this bombardment made inevitable. Fort Moultrie's guns had united the North in a call to arms, and men by tens of thousands left the farm, the loom, the office, and the store, from Maine to Indiana, to join the Union army.

Money, therefore, was needed by the United States Government, and very large amounts of it, to equip troops and purchase munitions of war.

As James Buchanan was then President, and, like a long line of his predecessors, a Democrat, he had several Southerners in his Cabinet. These promptly resigned their places and went South, including the Secretary of the Treasury, Howell Cobb, who left with surprising suddenness, and the office was filled for a brief period by General John A. Dix, as acting Secretary.

But before leaving, Howell Cobb had offered and sold to Wall Street bankers $20,000,000 of United States five per cent. bonds at 105, authorized, of course, by an

old law. Owing, however, to the heavy decline in securities, and general depression following the outbreak of the war, only about one-quarter of these bonds were taken and paid for by those who had subscribed for them; and nothing was done by the Government to enforce the completion of the purchase by those who had defaulted under the severe stress of the times.

Their default was a serious matter for the Government at that time, as it left the funds in the Treasury in a very depleted condition, and interest payments on the public debt were about to fall due, which it had no money in its vaults to provide for. At this crisis John J. Cisco, the United States Sub-treasurer in New York, was instructed, from Washington, to call a meeting of the principal Wall Street bankers at the Sub-treasury, and after stating the situation to them, to ask for an emergency loan on one-year United States notes, and let them fix the rate of interest themselves to correspond with the state of the money market.

Money was then loaning at about twelve per cent. per annum in Wall Street. So when the bankers who responded to Mr. Cisco's call, myself among the number, assembled at the Sub-treasury, they, after full discussion, agreed to take the amount of notes offered, and at this rate of interest. It was a very high rate for the Government to pay, too high under ordinary circumstances, but the emergency justified it; and Mr. Cisco approved of it, in view of the market rate and the notes running for one year only. My firm took a considerable amount of them and induced others to do so also, and we did so, presumably like the rest of the buyers, not merely because the rate agreed upon was so high, but because we felt it a duty to help the Government; and at all times thereafter during that critical period we worked no less diligently to uphold the public credit.

The Government recognized that a default in its interest payments would have been disastrous to the public credit, and a stumbling block in the way of raising money to prosecute the war, besides causing general depression of business. It therefore had to be prevented at all hazards.

Had these notes not been taken, the Treasury would undoubtedly have been left without the means of paying this interest when due. Consequently, it gratified me to feel that I had been instrumental in inducing others to subscribe for a part of this urgently needed loan.

Soon afterwards Mr. Salmon P. Chase was appointed Secretary of the Treasury by President Lincoln.

Not long afterwards Secretary Chase came to the Sub-treasury and invited bids for $20,000,000 of six per cent. United States bonds maturing in 1884. These were authorized by an old law. He accepted all bids at 94 and over, but rejected all under 94, the result of which was that considerably more than a third of the 1884's remained unsold. This was to be regretted, because the Treasury was in great need of money. I

therefore quickly bestirred myself to form a combination to purchase the unsold bonds of 1884 at 94, my firm being willing to take a liberal share of them, and I succeeded in getting subscriptions from banks and capitalists who had not bought any of those sold, for the unsold amount, subject to my own discretion as to the advisability of taking the bonds, after going to Washington and conferring with Secretary Chase.

So I immediately went there by night train and saw the Secretary early in the morning at the Treasury, and told him I had come on behalf of the combination I had formed, to make him a direct offer at his own price—94—for the unsold 1884 bonds. He was evidently pleased and surprised by the apparent improvement in the demand for them. He said, however, with a fine sense of probity, and consideration for the rights of others, that while he was glad I had come to Washington, and made the proposition to take the balance, he did not think it would be fair to those who had bid and whose bids were thrown out, to sell the rest of the issue without first notifying them of the new offer, and giving them the option of taking what they wanted at the price I offered—94.

He asked me to call again the next morning, after he had given the matter further consideration, and I did so. But meanwhile I had talked with many Southern politicians and office-holders, Peter G. Washington, one of the Virginia Washingtons, among them, and seen so much of the extensive war preparations which were being made in and about Washington, that I came to the conclusion that a long and very bitter war lay before us, notwithstanding that Mr. Chase had the day previously assured me that it would all blow over, with peace restored, within sixty days, a prediction that was echoed by Secretary of State Seward a little later. I was particularly impressed by what Mr. Washington, himself a prominent Government official, had told me of Southern sentiment and Southern determination to fight till all was lost or gained, and by his and other Southerners' absolute but mistaken confidence that the South would establish its own Confederacy, however long a war it might take to do it. The South in seceding from the Union expected to be able to establish a slave oligarchy, for in Lincoln's election it foresaw the doom of slavery, as both he and the Republican party were pledged to work for its abolition. Yancey and the other leading Southern "fire eaters" were responsible for this false view.

When I made my second call upon Mr. Chase, I said: "Since I saw you yesterday, Mr. Secretary, I have heard so much in conversation with Southern politicians and office-holders at the hotels, and seen and heard so much of the extensive war preparations on both sides, that I am convinced the war will be a long one, and I fear we shall see much lower prices for Government bonds and securities of all kinds. Feeling as I do, therefore, in justice to those I represent and who have given me full power to use my own discretion in the matter, I must withdraw the offer I made you yesterday. Had you accepted my offer at the time, of course I would have considered the transaction closed,

and taken the bonds without question, but as it is, you will admit I am under no obligation, and free to retire."

"Oh, certainly," said Mr. Chase, "but I think you are making a mistake, for the war will be over in sixty days and these bonds will go to par!"

But my sober second thought and foresight, based upon what I had seen and heard, and the information I had gleaned in Washington, served me well, and my associates in the combination had reason to thank me for my sagacious action, as the bonds soon afterwards declined to 84; and the Union disaster at the battle of Bull Run, fought at Manassas on July 21, 1861, aroused the North to a realization of the gravity and vastness of the conflict far more than any of the warfare that had preceded it had done; at the same time it made it more determined than before to prosecute the war till the South was conquered into submission to the Union forces.

Mr. Chase's second act, in replenishing the Treasury's funds, was to offer for subscription six per cent. United States notes, receivable for all payments, including customs duties, authority to issue which already existed. He found difficulties in the way, however, and, after conferring with the Sub-treasurer, Mr. John J. Cisco, who recommended the appointment of three Wall Street banking houses to act as Government agents for their sale, on commission, namely, Morris Ketchum & Co., Read, Drexel & Van Vleck, and Livermore, Clews & Co., he appointed them. These were the first and sole Government agents for the sale of its securities that had been thus far selected, and they all appreciated the compliment, and did their work well, for they promptly sold all the notes, of this issue, the Secretary had offered.

Mr. Chase throughout made strenuous efforts to supply the Government with the means for carrying on the war, and he was loyally aided by the banking interests of New York, a fact which he recognized and acknowledged to me and others in appreciative terms.

On a subsequent memorable occasion, in the summer of 1861, Secretary Chase appeared at the Sub-treasury after Sub-treasurer John J. Cisco had called, at his request, a number of leading bankers and capitalists to meet and confer with him. When we assembled there he said to us, in his stately and impressive manner, "Gentlemen, the Government needs and must have fifty millions of dollars, and it wants it at once to meet war expenses. For this I am prepared to issue that amount of Treasury notes of the two hundred and fifty million issue just authorized by Congress—by the act of July 17, 1861—bearing interest at 7 3/10 per cent. I am no financier, so I cannot tell you how to raise the money, but you distinguished leaders in the world of finance well know what means to adopt to get it. So I leave it in your hands entirely. All I need say further is to repeat that the Government must have fifty millions of dollars, and I leave it to you to find the way to procure it."

Then Mr. Chase sat down, and all of us who were present compared notes with each other in conversation about the room; that is, we talked the matter over for nearly twenty minutes. The result of the conference was then announced by our spokesman, Moses Taylor, who said, addressing Mr. Chase:

"Mr. Secretary, we have decided to subscribe for the fifty millions of United States Government securities that you offer, and to place that amount at your disposal immediately! So you can begin to draw against it to-morrow!"

A general clapping of hands followed this prompt announcement, and Mr. Chase responded by saying:

"Gentlemen, I thank you on behalf of the Government for your public spirit in helping it so generously and so promptly in this emergency."

The whole scene was of rare and stirring interest, and momentous consequences hinged upon its result. As a drama drawn from real life it would have been effective if represented on the stage, with the large and portly form and massive head of Secretary Chase as its leading feature.

This was the first lot, or installment, of the $250,000,000 issue of 7-30 Treasury notes put on the market.

Of these, the Secretary had the privilege of issuing $50,000,000, payable in coin at the Sub-treasuries in New York, Boston, and Philadelphia, without interest, to be used as currency.

After disposing of the first 50,000,000 of 7-30 notes, as I have described, Secretary Chase communicated with the banks concerning the sale of the remainder, with the view chiefly of saving the payment of commission to the agents. But he was unable in that way to make sales on satisfactory terms to them. So he added to the three Government agents originally appointed for the sale of its securities, Fisk & Hatch, and Vermilye & Co., of New York, and Jay Cooke & Co., of Philadelphia, and told them the "7-30" notes would be delivered to them as fast as called for at the New York Sub-treasury.

Thereupon the New York agents held a meeting, at which it was agreed that Jay Cooke, of Philadelphia, should be at the head of the agency system and take charge of the advertising of the 7-30 loan, or, in other words, that Jay Cooke should act as Chairman of the agency system. The agreement also specified the commission rates and other details for the purpose of avoiding cutting, or clashing, between the agents. To this organization and agreement Mr. Chase assented; and all the agents made strenuous efforts to make sales from the word go.

Jay Cooke & Co. had no office in New York at that time, nor did they establish one till after the end of the war. This really led to their designation as the head of the agency

system, as the selection of a New York firm would have created jealousy among the New York firms.

After all the 7-30s authorized to be issued were sold, came the 5-20 loans, which were sold through the same Government agency system, and the 5-20s were as successful as the 7-30s had been.

Mr. Munson B. Field, Assistant Secretary of the Treasury under Salmon P. Chase, had an examination made of the books at Washington, at my request, to see which individual firm of the Government agents sold the most United States 7-30s and 5-20s, and he reported that Livermore, Clews & Co. had the highest record. But I am willing that the credit should be shared equally by the four United States war loan banking firms, viz.: Jay Cooke & Co.; Livermore, Clews & Co.; Vermilye & Co., and Fisk & Hatch, as all did equally good and earnest work in financing the Government during the Civil War. Certainly the four firms are entitled to equal credit, and no one to a greater extent than the others. There was sufficient glory achieved by the magnificently patriotic work done by these four firms to admit of dividing the honors, so that I do not hesitate to say that they did immensely valuable service to the Nation, and made for themselves a proud National record, which should be always greatly appreciated by the American people, as it was at the time by the Government authorities in Washington. The Government was thus enabled to clothe and feed a million of soldiers in arms on the battlefield, fighting for the salvation of the Nation, and these finally brought the war to a victorious end, thus perpetuating the best form of government known to man.

I may here mention that Secretary Chase said:

"If it had not been for Jay Cooke and Henry Clews, I should never have been able to sell enough of the 7-30 notes and 5-20 bonds to carry on the war."

This remark of his was generally published at the time in the newspapers.

The Government had sold through its agents $150,000,000 of the 7-30 notes before the suspension of specie payments, an event that was hastened by the Secretary's withdrawal from the banks into the Sub-treasuries of most of the proceeds of the sales, his call for payment from the agents to the Treasury being in three installments: on August 19th, October 1st, and November 2d. Moreover, the hoarding and exportation of gold were largely stimulated by the anticipation of specie suspension, and, after it occurred, gold suddenly disappeared from circulation.

This obviously involved a corresponding contraction of the circulating medium, and Mr. Chase, to neutralize it, and supply the place of the demonetized coin, issued the $50,000,000 of non-interest-bearing notes, which were called United States Demand Notes. He did this also to obviate the necessity of the State Banks issuing more of their own notes, as well as to raise money to meet the rapidly increasing demands of the Treasury.

Congress, seeing that this contraction tended to produce stringency in the money market, and handicapped the Government's agents in the sale of its securities, had, on August 5, 1861, suspended the act of August 6, 1846, "providing for the better organization of the Treasury, and for the collection, safe-keeping, and disbursement of the public revenue." It did this so as to permit the Secretary of the Treasury to deposit any of the money obtained on authorized loans in such solvent specie-paying banks as he might select, and, in addition, it expressed this in a resolution. The resolution was promptly acted upon by Secretary Chase, and this, and a later law, governed the policy of the Treasury ever afterwards. Monetary stringency was thus avoided by the Treasury keeping as much of its money in the banks as it could, and so locking up as little as possible in the Treasury and Sub-treasuries. The evil effects of the Sub-treasuries system in locking money out of circulation was thus practically acknowledged and guarded against.

When the sale of the 7-30s had been completed by the Government agents, there was great pressure brought to bear by the banks throughout the country, who were backed by many influential newspapers, in favor of giving the sale of the 5-20s to the banks instead of to the Government agents. The pressure upon Secretary Chase became so great that he concluded to try the experiment, and authorized all the banks throughout the country to sell the 5-20s. After giving them every opportunity to supersede the agency system, as previously adopted with the six per cent. and the 7-30 Treasury notes, the Secretary was finally compelled to abandon the banks and go back again to the agents, who took hold with vigor and made the sale of the 5-20s as brilliant a success as they had previously made that of the 7-30s. We were friendless in Europe, but we overcame this by patriotism and energy at home.

After a time, some of the banks, and there were only State Banks then, threw out the Demand Notes, and so it became necessary to enforce their circulation. To accomplish this, Secretary Chase asked Congress to make them a legal tender for the payment of all debts, public and private, excepting customs duties, and interest on the public debt, payable in coin.

Congress, therefore, on February 25, 1862, remedied the difficulty by passing the Legal Tender Act, making these and all the United States notes lawful money. In the same act it authorized the issue of $150,000,000 of new non-interestbearing legal tender notes. The provision for the payment in coin of customs duties and interest on the bonded debt was obviously as necessary as it was wise, as customs duties furnished the means for paying the interest in specie; and the fact of its being payable in gold created a demand for our bonds in other countries, as well as at home, which would not have existed on paper money interest.

Before long, the whole of the authorized $250,000,000 of 7-30 notes had been sold to the public through the Government agents; and later, from time to time, Congress

authorized large additional amounts of these till finally they reached their maximum, in August, 1865, when $830,000,000 of them were outstanding.

At the same date, also, the Government bond issues, which had kept pace with the 7-30 note issues, and simultaneously reached their maximum, showed immense totals. There were then outstanding $514,880,500, of 5-20 bonds, and $172,770,100 of 10-40 bonds. Among our own people patriotism and profit combined to make these great United States loans doubly attractive, and the Government agents used their best efforts to stimulate the demand for them both at home and abroad. Livermore, Clews & Co., in particular, sold large amounts of these in England and other foreign countries, where they ultimately proved extremely profitable investments. To meet the demands of the war, we—the Government agents—were as anxious as the Secretary of the Treasury himself, and never were men more successful in accomplishing their object and doing good work than we were. There was patriotism worthy of Patrick Henry, as well as profit, in this, and Wall Street can lay the flattering unction to its soul that it rendered, through the Government agents, the best of good service to the Government in this time of peril to the Union.

As General Grant said long afterwards to me, we were not fighting for the Union as soldiers in the field, but we served it equally well by helping it in its struggle for money to prosecute the war; and I felt proud of the active part I took in thus helping to preserve the Union as one of its army in civil life.

The campaign in Virginia having proved prolific of disaster to the Union army, Congress, on July 11, 1862, authorized the issue of a hundred and fifty millions more of non-interest-bearing United States legal tender notes, and on January 17, 1863, another hundred millions to which it added $50,000,000 on March 3d, in the same year, making $450,000,000 of legal tender notes, or greenbacks, fifty of which were to be held as a Treasury reserve, for the redemption of temporary loan certificates.

This was the maximum issue of non-interest-bearing legal tender notes at any time, and by the act of January 28, 1865 Congress restricted the total to $400,000,000, and there it remained till Hugh McCulloch became Secretary of the Treasury, early in 1865.

Secretary Chase had meanwhile become Chief Justice of the United States Supreme Court, and Thomas Fessenden, who succeeded him as Secretary, had resigned. Mr. McCulloch began to contract the legal tender notes, and had withdrawn $44,000,000 before Congress interfered to prohibit any further contraction. It did this in response to a general protest against any further curtailment of the greenbacks in circulation.

From that time until the panic of 1873 their amount remained at $356,000,000. In the interval Mr. Boutwell had succeeded Mr. McCulloch, and Mr. Richardson had succeeded Mr. Boutwell as Secretary. Mr. Richardson, under diminished customs and revenue receipts, and the stress of the panic, restored to circulation $26,000,000 of the

$44,000,000 of legal tender notes that had been withdrawn by Mr. McCulloch, whereupon Congress, on June 22, 1874, provided that the greenbacks in circulation should remain fixed at the then existing total of $382,000,000.

The same law which thus legalized the reissue of the $26,000,000 of legal tender notes by Secretary Boutwell abolished the National Bank reserve, previously required to be kept on bank-note circulation, and for this substituted the provision that the banks were to deposit five per cent. in legal tender notes of the amount of their own note issues with the United States Treasurer at Washington for the redemption of their notes.

This law is still in force, and the establishment of the Redemption Bureau at Washington has resulted, ever since, in daily receipts by it of mutilated bank notes to be replaced by new notes, in addition to the ebb and flow caused by banks increasing or reducing their circulation. The five per cent. in legal tender deposited is counted by them as part of their legal reserve. But the necessity of sending the notes to Washington, and of receiving them therefrom, involves trouble and loss of time to the banks, and also prevents the banks from contracting their circulation when the demand for it is light and increasing it when heavy, as freely and promptly as they would if every Sub-treasury was made a redemption point for National Banks. Congress ought therefore to authorize the equipment of the Sub-treasuries with redemption bureaus for the banks in their respective districts, in order to facilitate this ebb and flow of bank-note issues, and so increase the much needed elasticity of the currency.

In addition to United States legal tender notes, large amounts of interest-bearing legal tender notes were issued during the war. On September 1, 1865, when the currency, like the whole National debt, reached its greatest amount of inflation, the noninterest-bearing legal tender notes and fractional currency stood at $459,505,311, the three years six per cent. compound interest legal tender notes at more than $217,000,000, and the one and two years five per cent. legal tender notes at nearly $34,000,000, the whole aggregating $685,236,269 issued by the Treasury.

There were also outstanding $107,000,000 of temporary loan certificates. These, being payable after ten days' notice, were treated as greenbacks by the banks, and counted as part of their lawful money reserve, while the remainder circulated as currency, and so practically increased the volume of paper money. At the same time the new National Bank law had put in circulation $170,000,000 of National Bank notes; and more than $70,000,000 of State Bank notes were still circulating. The last named were, however, soon taxed out of existence by Congress. The grand total of the issues enumerated was ten hundred and sixty-seven millions of paper money in circulation. Nor was this all, for there were then outstanding $85,000,000 of one-year certificates of indebtedness; and the $830,000,000 of 7-30 notes, called 7-30s, outstanding were extensively used as money, and so tended to increase the inflation of the currency and prices.

It will be seen therefore that the inflation of the currency was really much larger than it appeared to be by the Public Debt statements at that time. But so rapid was the contraction during the eight years following, through the maturity and cancellation of interest-bearing notes and certificates, that it is safe to say we had from sixty to seventy-five per cent. less paper, used as money, in circulation when the panic of 1873 commenced than we had in September, 1865, and to this enormous contraction of our medium of exchange that disastrous panic, the worst this country ever had, was largely due. It was, I repeat, the worst in its effects that this country ever experienced, not excepting the panics of 1837 and 1857, and was aggravated by the Franco-German War, that practically shut American securities out of the European markets, which had previously taken them freely. This was a severe blow to the American bankers who had undertaken to finance the railways then in process of construction in different parts of the country, and who had relied upon finding both home and foreign markets for the sale of the bonds issued against the completed mileage of these railways, and it led to much embarrassment and a number of failures. The depression following this panic of 1873—in which Jay Cooke & Co. failed owing to their having undertaken to finance the Northern Pacific—was prolonged, and prosperity did not really return to us as a Nation till after the resumption of specie payments in 1879. Meanwhile, nearly all the uncompleted railways in the country had been reorganized through foreclosures that wiped out hundreds of millions.

Our National debt, which had increased from $64,000,000 on June 30, 1860, and $88,409,387 on June 30, 1861, to $2,845,907,626 on September 1, 1865, had then been very largely reduced, for it was only $2,140,695,365 on September 1, 1873. The debt and the currency had gone up and down together under the influence of a common cause. Not till specie payments were resumed by the Government and the banks did gold cease to command a premium. With this the Gold Room became a thing of the past.

The great activity and the enormous sales of the Government agents may be inferred from the maximum amounts I have quoted, of the 7-30 notes, and the 5-20 and 10-40 bonds outstanding five months after Lee surrendered to Grant at Appomattox on April 9, 1865.

The total debt on which interest was payable in coin then amounted to $1,116,658,100, while that bearing interest in lawful money was $1,874,478,100, the first calling for $65,001,570 in gold annually, and the other for $72,527,646 of greenback currency.

That great event—Lee's surrender to Grant—that ended the war, was the fitting prelude to General Grant's election to the Presidency. It made it certain that no other Republican candidate for the office of President of the United States would have any chance of success at the next general election, and, of course, no Democratic candidate

could be elected. Grant became our great National hero, and the country glorified him for his splendid war record.

But soon after the memorable historical scene at Appomattox, while the country was rejoicing over the advent of peace, with the Union restored, there came that terrible tragedy at Ford's Theater in Washington, when President Lincoln, on April 14, 1865, was assassinated by John Wilkes Booth, and on the following day Vice President Andrew Johnson was sworn in as President.

Then, indeed, the Nation was plunged into mourning, and mourning emblems from ocean to ocean testified to the National grief.

I will not dwell on the stormy career of Andrew Johnson as President, and the impeachment proceedings against him, that for a long time made both branches of Congress seething cauldrons of excitement. But it was a happy relief to the country when his term expired and General Grant succeeded to the Presidency on March 4, 1869, with Schuyler Colfax as Vice President. The Democratic candidates who had run against General Grant in the campaign in which he was elected in November, 1868, were Horatio Seymour and General Francis P. Blair, Jr. But the popularity of Grant was so overwhelming that his election was a foregone conclusion.

Till within a short time of its final termination the duration of the war was a matter of much uncertainty, and its ultimate result had long been the subject of doubt and gloomy forebodings by many who failed to see that the superior money power and resources of the North were sure to conquer and crown the Union with victory in the end. Our currency, greatly inflated though it was, remained good throughout the trying ordeal, whereas that of the Confederate States became utterly discredited and worthless, thus repeating the history of the French *assignats*.

A new era opened in our history with the ending of the war, and our currency, which, of course, had previously no circulation in the South, began to circulate there. This, of itself, was equivalent to extensive contraction. The currency of one section had now to supply the currency needs of both sections, and for a long time the drain of money from the North to the South was felt in the money market.

The country was somewhat like a sick man accustomed to and dependent on stimulants, to withdraw which suddenly would have been perilous. Many in Congress recognized this danger, for it was a noticeable feature of the debates on the subject that not a few of those who had been strongly opposed to our excessive issues of paper money during the war, and warned the country against them, were among those who opposed violent contraction as being a remedy worse than the disease. The radical contractionists, however, failed to see, or refused to acknowledge, that the arguments which would have applied to the rising tide of the currency while the war continued,

and there was danger of indefinite further inflation, did not apply with equal force to the altered condition of affairs.

Although schemes of radical contraction were rejected, even the moderate measure of contraction that was adopted proved too severe to be endured without much complaining from business interests, so hard and painful is the process of contraction, whereas that of inflation is always pleasant and easy.

In later years I became very well acquainted with General Grant, and toward the end of his first term of the Presidency, when a good deal of opposition was manifested to his renomination by the press, including the New York *Evening Post*, I made strenuous efforts to secure his renomination. To that end I organized a public meeting at the Cooper Institute, and induced William E. Dodge to act as Chairman. It was a great popular success, and Grant's renomination was unanimously advocated with immense enthusiasm. The *Evening Post* then said that after such an overwhelming demonstration it was evident that public sentiment was on the side of Grant, and that it was useless to oppose his renomination. He was accordingly renominated by the Republican Party and triumphantly reëlected. His second term as President began on March 4, 1873, and he retired from the Presidency four years later.

General Grant was well aware of the part I took at this meeting, which, many said, turned the scale in favor of his renomination when it was doubtful and trembling in the balance, and he also knew of my services in connection with the Government war loans, and in organizing various public meetings to celebrate Union victories and stimulate recruiting for the army. He said that I deserved some public recognition of my public services in supplying the sinews of war, and asked me how I would like to be Secretary of the Treasury, but I said I preferred Wall Street. Therefore, later on, he appointed me Fiscal Agent for the United States Government in all foreign countries, in place of Baring Brothers, of London, who had been its fiscal agents up to that time, since the Bank of England had acted in that capacity.

When it became certain that General Grant's death was very near, I was anxious to see him once more, and also a strong advocate of his burial in the city of New York, where his tomb would be a conspicuous monument, to be seen by all, instead of burying him almost out of sight in Arlington Cemetery or at West Point, which places were strongly urged. The States of Ohio and Illinois also claimed him, as did the city of St. Louis. They all made strenuous efforts to obtain the family's consent, as well as his, through committees sent to Mount McGregor for that purpose.

So I went to Mount McGregor, where he was, and as delicately as possible urged this upon him and his family. All of the members of the family assented, and the General, being unable to speak, nodded his assent also to what I said. Then when he was wheeled out in his chair, on the veranda, on his way to take his regular afternoon sun bath on the mountain side, accompanied by Dr. Douglas, he wrote on a pad that all he

demanded was that his wife should be buried by his side when her own time came. Knowing them all well, I remained there two hours, talking with the General and the family, and my visit, when I made its result known, led to the selection of New York as the great soldier's burial place, on the conditions mentioned by him. Within three days after I had seen him, the great General died. I had visited him on a Monday afternoon, and he died on the following Wednesday. His death threw the Nation into mourning.

Incidentally, I may mention that I started the organization of the famous Committee of Seventy, that brought about the overthrow of the corrupt Tweed Ring, that had robbed the city of New York of about a hundred millions of dollars. I nominated sixty-five of its members, and for my instrumentality in forming that Committee of eminent and public-spirited citizens I received many congratulations. That Committee not only drove the thieves out of office, but caused the prosecution of all of them who had not fled the country, and ultimately brought back and convicted Tweed, who died in prison. Meanwhile, it had reorganized the City Departments, and put new men in office, with Andrew H. Green as Comptroller. It purified, and, for a time, virtually ruled the city, through controlling its government.

But above everything else in my business life, I regard with most satisfaction the work I did in marketing the Civil War loans of the Government of this great and glorious country of ours—the United States of America—and in other ways strengthening the hands of the Government to the best of my ability and with all my heart and soul, not only as a banker but a patriotic American citizen; and I felt that I had my reward when, after the memorable four years' war, peace came bringing with it Victory for the Union and a reunited country, a victory which gave permanence to the best government ever known to man—a government "of the people, for the people, and by the people," which bids fair to be everlasting.

MILLS BUILDING (OPPOSITE NEW YORK STOCK EXCHANGE), NOS. 11-13-15-17 BROAD STREET AND 35 WALL STREET, OCCUPIED BY THE BANKING HOUSE OF HENRY CLEWS & CO.

FIFTY YEARS IN WALL STREET

By HENRY CLEWS, LL.D.

CHAPTER I.

MY DEBUT IN WALL STREET.

My advent in Wall Street was on the heels of the panic of 1857. That panic was known as the "Western blizzard." It was entitled to the name, as its destructive power and chilling effects had surpassed all other financial gales that had swept over Wall Street. The first serious result of its fatal force was the failure of the Ohio Life and Trust Company, a concern of gigantic dimensions in those days.

The Company had an office in Wall Street, and on the announcement of the collapse, business became completely paralyzed. This failure was immediately followed by the suspension of many large firms that had withstood the shock of all ordinary collisions and had successfully weathered many financial storms.

The panic was due in part to excessive importations of foreign goods, and also to the rapid construction of railroads, to a large extent on borrowed capital. There were other contributing causes. The crops were bad that year, and the country was unable to pay for its imports in produce, and coin was brought to the exporting point. In October, the New York City banks suspended payments, and their example was followed throughout the country. Bank credits had been unduly expanded everywhere, and the time had naturally arrived for contraction. It came with a bound, and financial disaster spread like a whirlwind, becoming general.

The Stock Exchange had been a moderately growing concern for the ten years previous to this calamity, and the securities there dealt in had been rapidly accumulating in number and appreciating in value. Its members were wealthy and conservative, with a strong infusion of Knickerbocker blood, an admixture of the Southern element and a sprinkling of Englishmen and other foreigners.

The effect of the crisis on the majority of Stock Exchange properties was ruinous. Prices fell fifty per cent. in a few days, and a large proportion of the Board of Brokers were obliged to go into involuntary liquidation. There was a great shaking up all around.

Then came the work of rehabilitation and reorganization. Confidence gradually returned. The Young Republic had great recuperative powers, and they were thoroughly exerted in the work of resuming business. Much of the old conservative element had fallen in the general upheaval, to rise no more. This element was eliminated, and its place supplied by better material, and with young blood, and in December the banks resumed business.

This panic and its immediate results created an entire revolution in the methods of doing business in Wall Street. Prior to this time, the antique element had ruled in things financial, speculative and commercial. This crisis sounded the death knell of old fogyism in the “street.” A younger race of financiers arose and filled the places of the old conservative leaders.

The change was a fine exemplification of the survival of the fittest, and proved that there was a law of natural selection in financial affairs that superseded old conservatism and sealed its doom.

JAMES CLEWS
Of "The Leasows" Staffordshire, England
Father of Henry Clews

HENRY CLEWS
In 1857, at the Time of His Start in Wall Street

MRS. ELIZABETH KENDRICK CLEWS
Mother of Henry Clews

Until that time, the general idea prevailed that those engaged in financial matters must be people well advanced in years, even to the verge of infirmity. It is the same idea that has been handed down, as if by divine right, from old world prejudices, especially in the learned professions. No doctor was considered a safe prescriber unless his hoary locks, bald head and wrinkled brow proclaimed that he had almost passed the period of exercising human sympathy. The same rule of judgment was applied to the lawyer and the clergyman.

These unworthy prejudices were fostered by the character of the Government of the old country, and nurtured by the surroundings of the venerable monarchies of Europe, where they exist largely even to the present day. So tenacious of life are these old-fashioned ideas, that many of them were found in full vigor, dominating Wall Street affairs up to the crash of 1857, fostering the antique element and choking off salutary enterprise.

Hence the process of decay of these archaic notions and our gradual development.

This struggle for new life in Wall Street was not successfully developed without a serious effort to attain it. The old potentates of the street fought hard to prolong their obstructive power, and their tenacious vitality was hard to smother, reminding one of the nine lives attributed to the feline species. The efforts of the young and enterprising men to gain an entrance to the Stock Exchange were regarded by the older members as an impertinent intrusion on the natural rights of the senior members. It was next to impossible for a young man, without powerful and wealthy patrons, to obtain membership in the New York Stock Exchange at the time of which I speak.

The old fellows were united together in a mutual admiration league, and fought the young men tooth and nail, contesting every inch of ground when a young man sought entrance to their sacred circle.

The idea then struck me that there was a chance for young men to come to the front in Wall Street. I was then engaged in the dry goods importing trade, in which I received my early training. I had been kept out of the Exchange for several years by the methods to which I have alluded. My fate was similar to that of many others. It was only by an enterprising effort, and by changing the base of my operations, that I finally succeeded.

The commissions charged at that time were an eighth of one per cent. for buying and selling, respectively.

After numerous efforts to gain admission to the Exchange, without success, I finally made up my mind to force it. I at once inserted an advertisement in the newspapers, and proposed to buy and sell stocks at a sixteenth of one per cent. each way. This was such a bombshell in the camp of these old fogies that they were almost paralyzed. What rendered it more distasteful to them still was the fact that, while they lost customers, I steadily gained them. The result was that they felt compelled to admit me to their ranks, so that I could be kept amenable to their rules and do business only in their own conventional fashion. My membership cost me, in all, initiation fee and other trifling expenses in connection therewith, $500. This presents a striking contrast to the recent price of a seat, $35,000, but though this difference seems very large, yet the changes in every other respect connected with Wall Street affairs have been in similar proportion. Among some of the old members of that day were Jacob Little, John Ward, David Clarkson and others whose names may be found in the archives of the Stock Exchange.

As an instance of the way in which membership was then appreciated, it may be mentioned that speculators frequently offered $100 a week, or ten times the cost of membership, for the privilege of listening at the keyhole during the calls.

HENRY CLEWS'S BIRTHPLACE, "THE LEASOWS,"
HILDERSTONE, STAFFORDSHIRE, ENGLAND.

Although the prostration growing out of this panic was very great and of long continuance throughout the country, general confidence being shaken to its very foundation, yet, on the whole, it was a great gain, and marked an era of financial and speculative progress. It was the chief cause in drawing out the young element in the business of Wall Street, which might have lain dormant for a much longer period without this sudden and somewhat rude awakening. It not only brought Young America to the front in speculation, commerce and general business, but it imparted an impetus of genuine enterprise to every department of trade and industry, from the good effects of which the country has never since receded.

This new element, emanating from the throes of one of the greatest business revolutions that any country has ever experienced, has continued to grow and thrive with marvellous rapidity. It is now getting so large that the Exchange will soon require a whole block instead of a basement as at its origin for its headquarters. The Governing Committee of the Stock Exchange are now looking forward to arrangements for this

consummation. How the ancient fathers of my early days in Wall Street would have been shocked at the bare idea of such amazing progress!

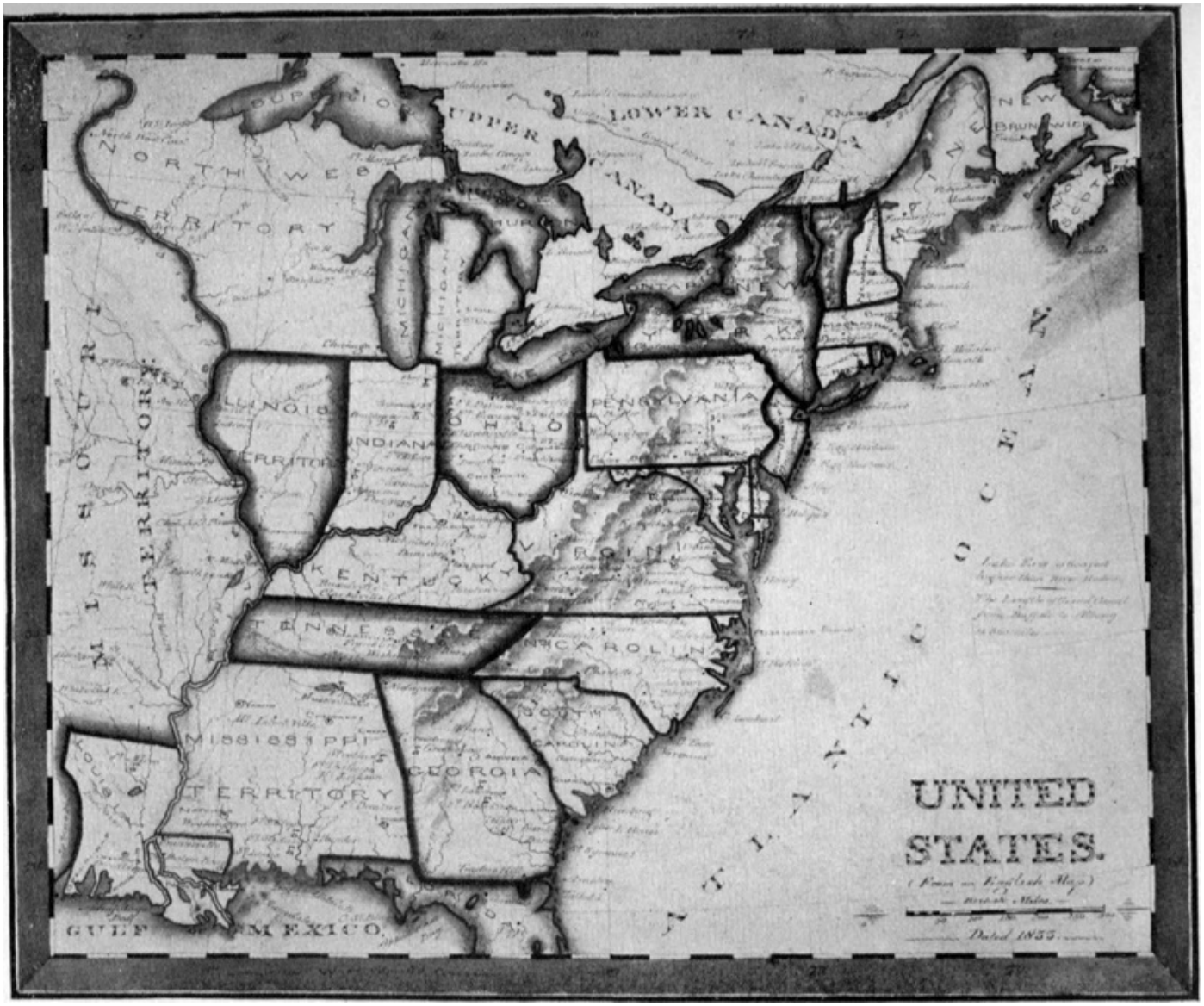
It is not the least singular phase of this evolution in Wall Street, that the youthful element to which I have referred stands alone as compared with the progress achieved by the same class of men in any other nation. In America only does the youthful element predominate in financial affairs; and results have justified the selection, which perhaps in no other nation is possible. Thanks to the freedom of our Republican institutions, which, in spite of some individual deductions and the occasional obstructions of "crankdom," make way for that progress, in the wake of which the other nations of the world are emulous to follow.

The Exchange was at this time situated on William street between Beaver street and Exchange Place. That place is rich in speculative reminiscences. It was there that Jacob Little made and lost his nine fortunes. It was there that Anthony Morse, the lightning calculator, operated. He could foot up four columns of figures as easily as the ordinary accountant could run up one. He had been a clerk, and having saved seven hundred dollars by close economy, began to deal in stocks. His career at that time was more marvellous even than that of Keene of a recent date. Morse made a fortune of several millions in a year, and became bankrupt during the same period, without any available assets to speak of. It was all honorably lost, however. There was no Ferdinand Ward game connected with it.

Youthful speculators had not then learned the "crooked" methods of the young idea of modern times. It was there also that Daniel Drew began to accumulate those millions that afterward were subject to such a rude scattering. It was there that the celebrated "corners" in Rock Island, Prairie du Chien and Harlem were concocted. It was there that the wealth was accumulated which built twenty thousand miles of Western railroads, causing many millions of acres, that would otherwise have been a wilderness, to blossom like the rose, in spite of Mr. Powderly's opinion that no material good can come out of speculation, and thus adding immense wealth in real estate to the country, besides conferring incalculable benefits on trade and commerce, and preparing comfortable homes not only for the pioneers and surplus population of the Eastern States, but a teeming soil that has attracted the down-trodden of every nation to come and partake of the blessings of freedom and prosperity.

One of Jacob Little's speculative ventures has been rendered historically famous through the rule of limitation of sixty days for option contracts. The necessity for this limit was brought about by one of his celebrated attempts to manipulate the market. He was one of the most prominent speculators in Erie in the early days of Drew's transactions with that property and its stocks. Mr. Little had been selling large blocks of Erie on seller's option, to run from six to twelve months. This was in the early history

of “corners,” before the method of managing them scientifically had been fully developed and while “blind pools” were yet in embryo.



THIS MAP OF THE UNITED STATES OF AMERICA IS A PHOTOGRAPH TAKEN FROM THE ORIGINAL PEN-AND-INK HAND DRAWING MADE BY HENRY CLEWS FIFTY-FIVE YEARS AGO.

The leading members of the Erie Board formed a pool to “corner” Mr. Little, and ran Erie shares up to a considerable height. They imagined that he was in blissful ignorance of their purpose, and had everything arranged for a *coup d’etat* which was to reach its crisis at two o’clock on a certain day, when Little was to be completely overwhelmed and hopelessly ruined. An hour prior to the time appointed by the clique for his disaster he walked into the Erie office, opened a bag filled with convertible bonds, and

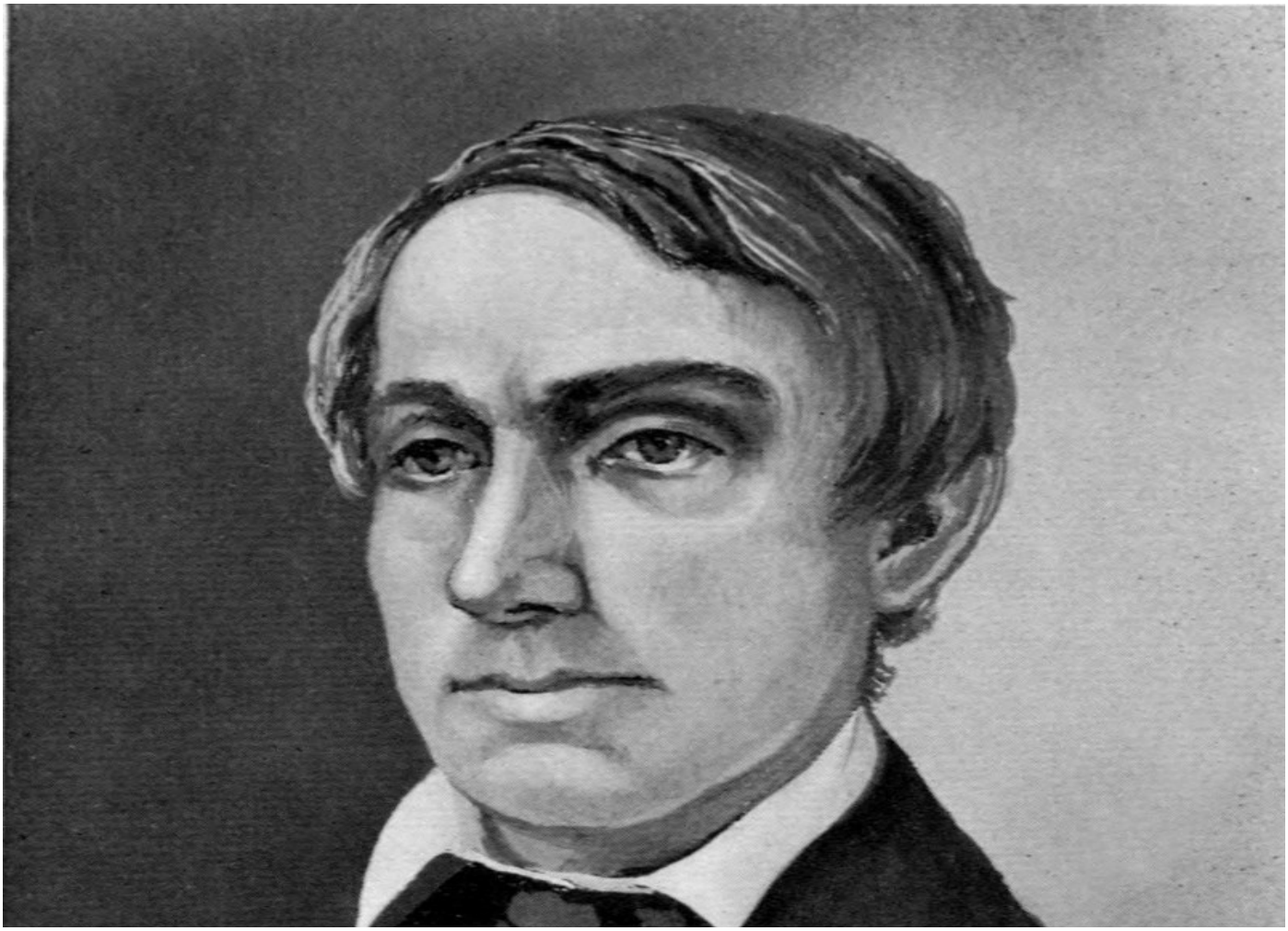
requested an exchange of stock for the same. He had purchased the bonds in London and had them safely locked up for the emergency, which he promptly met on its arrival. He got the stock, settled his contracts, broke the "corner," and came out triumphantly.

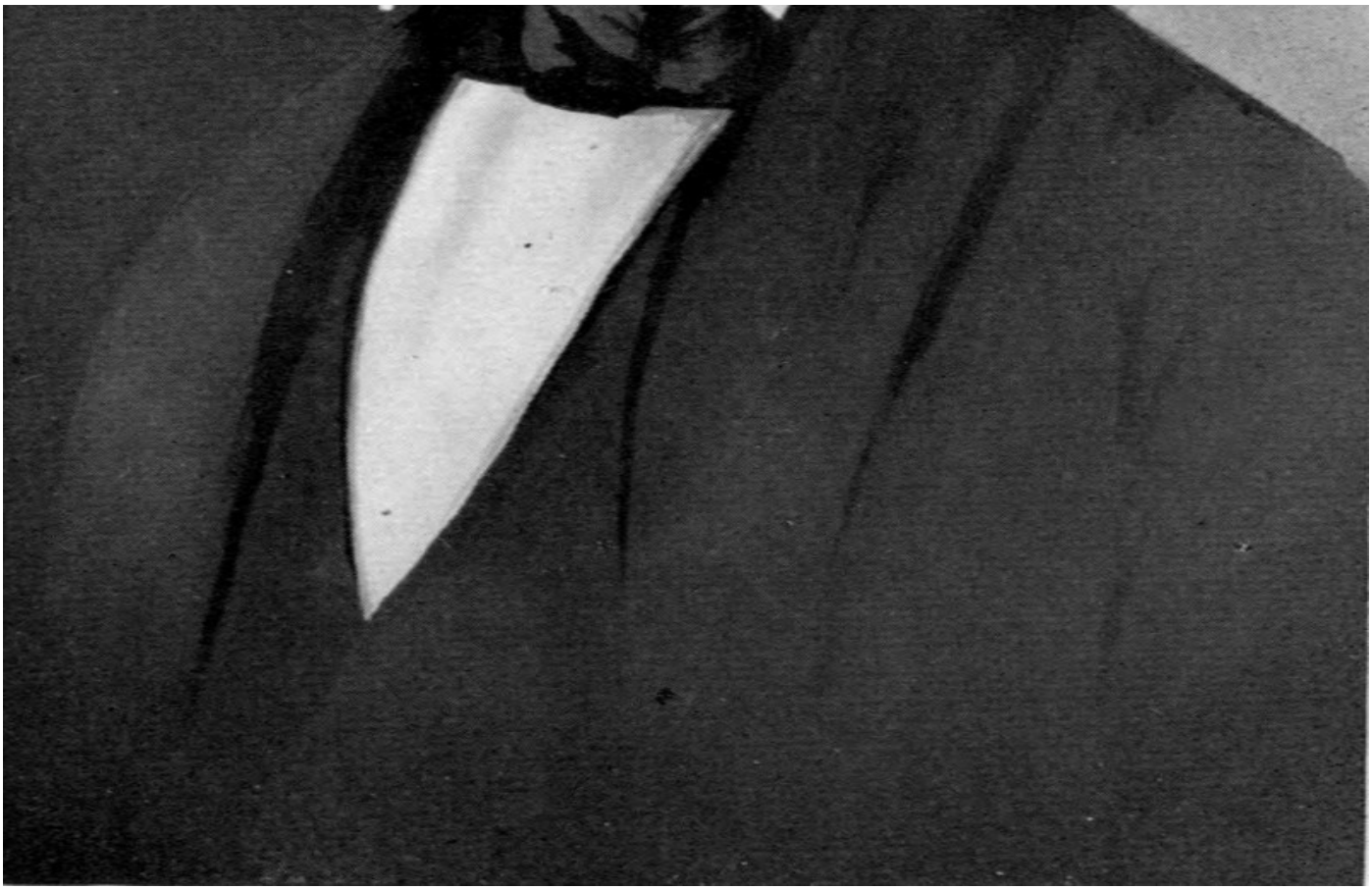
The option limit of sixty days was afterwards adopted in order to prevent similar triumphs in manipulation on the "short" side.

As will be illustrated more fully in subsequent chapters, Mr. Little's convertible bond trick was used with signal advantage by his speculative successors in Erie, who practically demonstrated on several occasions that there were millions in it.

Mr. Little was generous and liberal to a fault with his brother speculators who had experienced misfortune. He used to say that he could paper his private office with notes he had forgiven to the members of the Board. He was also remarkable for his great memory. He could easily remember all the operations he made in the course of a day without making a note or a mistake.

Like Drew, he was careless in his attire, wearing a hat like that of a farmer, and not a very prosperous one, but he had no compeer in his day at calculating ahead in a speculative venture.





JACOB LITTLE.

CHAPTER II.

WALL STREET AS A CIVILIZER.

Clerical Obliquity of Judgment About Wall Street Affairs.—The Slanderous Eloquence of Talmage.—Wall Street a Great Distributor, as Exhibited in the Clearing House Transactions.—Popular Delusions in Regard to Speculation.—What Our Revolutionary Sires Advised About Improving the Industrial Arts, Showing the Striking Contrast Between Their Views and the Way Lord Salisbury Wanted to Fix Things for This Country.

The dense ignorance displayed by men outside of Wall Street, in regard to the business of that great mart, is almost incredible. Even the most intelligent men I meet in other professions and walks of life have the most utterly crude and undefined notions about the methods of doing business at the Stock Exchange. Many good and pious clergymen are under the impression that Wall Street is a name for the sum total of all kinds of infamy, and solemnly exhort their devoted flocks not to touch the unclean thing.

Clerical obliquity of judgment is not quite so bad, nor popular ignorance so dense in this respect, as it has been, but there is a large field for improvement yet. The business activity of the country, and the spirit of intercourse being so rapidly infused throughout all ranks of the community, have demonstrated that this antipathy to Wall Street has been simply an unworthy prejudice, in spite of the high moral authority from which it has emanated.

I don't wish to throw any aspersion on the noble purposes of the clergy. The end they have been seeking has been good, but it has not always justified the means employed. These good men have unwittingly misrepresented Wall Street, to the great detriment of the business interests of the country.

There is no excuse, however, for a man in this enlightened age, who professes to be a Shepherd in Israel and a spiritual leader of the people, to remain ignorant of an important fact, or to continue to see that fact through a false medium, when he has the opportunity of coming into Wall Street and seeing for himself. He has no right to set himself up as a censor, a public detractor, and a public libeller upon a set of men and

merchants who are the bone and sinew of the commercial and industrial interests and prosperity of the country. It is not only a personal wrong but a public injury.

The Rev. T. De Witt Talmage has perhaps done more than any other clergyman to make our speculators, investors and business men ridiculous in the eyes of the rest of the community and in the estimation of John Bull, in whose dominion his so-called sermons are extensively read. Talmage has employed his flashing wit and mountebank eloquence to bring financial disgrace on the business methods of the whole country by the manner in which he has ignorantly vilified Wall Street.

He can go to the Cremorne Garden, Billy McGlory's, Harry Hill's and other places of dubious reputation, and make himself acquainted with the real condition of things there.

How far he has penetrated into the green rooms and behind the scenes in these places it is not my business to know, but why should he not treat Wall Street as fairly, where everything is open to inspection, as he does these dens of vice, where midnight scenes of villainous revelry and reckless dissipation reign supreme? Why does he misrepresent Wall Street without knowing anything about it? He can come here and go wherever he wishes without a bodyguard of detectives or fear of molestation. Why is he so particular about doing justice to the brothel and the gaming den, while he airs his ludicrous eloquence to the highest pitch to falsify the respectable business methods of Wall Street?

I recollect the time that men in the higher walks of life, and among the higher classes (if I may use the expression, in opposition to the opinion of the New York *Sun*, whose editor maintains that we have no classes in this country) would have been ashamed to be seen in Wall Street. Now, men in the same sphere are proud of the distinction, both socially and financially. In fact Wall Street has become a necessity as a healthy stimulant to the rest of the business of the country. Everything looks to this centre as an index of its prosperity. It moves the money that controls the affairs of the world.

Take the Clearing House, for example, with its 50 billions of transactions annually. All but a fraction of this wonderful wealth, compared with which the stupendous pile of Crœsus was a mere pittance, passes through Wall Street, continually adding to its mighty power. This great power, in comparison with which the influence of monarchies is weak, is not, like the riches of these, concentrated chiefly on itself. It is imparted to all the industries and productive forces of the country. Wall Street is a great distributor. It is also universal in its benevolent effects, practically unlimited by either creed or geography.

It has taken greater advantage, for the general good, of scientific discovery than all the scientific societies combined. Wherever the electric wires have penetrated the Wall Street broker has followed. The members of the Stock Exchange are, through the power

of electricity, in closer sympathy with the great heart of civilized humanity than all the missionaries and philanthropic societies in the world. They are the great cosmopolitans of the age. In practical sympathy they outshine the most devoted efforts of the benevolent associations of half the continent. They have the means to do it, and this comes chiefly from being practical, and from their strong antipathy as a body to cant and hypocrisy.

There are many popular delusions outside the ranks of the clergy connected with the effort to form a correct estimate of Wall Street affairs by the general public. It is a popular delusion that it is a place where people who are in the "ring" take something for nothing. No idea could be further wide of the mark in regard to Wall Street men as a class, however true it may be of some individual instances, as in other departments of business. Wall Street gives full value for everything it receives, and the country at large is deeply its debtor. Some people may think this a paradox, but there is nothing more easily demonstrated to those who have observed the commercial and industrial progress of the country and the age.

Wall Street has furnished the money that has set the wheels of industry in motion over the vast continent, and in one century has brought us abreast, in the industrial arts, of countries that had from one to two thousand years the start of us. In this respect it has assisted nobly to carry out the ideas of the fathers of the Constitution. Washington, Jefferson, Madison, Franklin and Hamilton laid down the doctrine that it would be a betrayal of the interests of posterity to limit the productive energies of this country to raw material. With our present experience we may think it strange that this question should ever have been debated, but it was, even after the old tyranny had been obliged to loosen its grasp on the struggling enterprise of the young Republic. Our old revolutionary sires deserve credit for their foresight, but what would have been the fate of their commercial philosophy if Wall Street had not supplied the sinews of war to cope with the forces of nature, to work our mines and build our railroads, and through these and other means, to attract the teeming population from every clime to cultivate our virgin soil and develop our wonderful industries and resources?

Apropos of the above observations, I may add that during the debate in the British Parliament, on the recognition of the Confederacy, the great manufacturing power in our industrial, financial and commercial progress was clearly exhibited and thoroughly appreciated by British statesmen. It was made one of the strongest arguments, too, by some of the representatives of our jealous and envious cousins on the other side of the "pond," why Great Britain should recognize and aid the South in the war. Lord Salisbury, then Lord Robert Cecil, at present the leader of the Tory party in England, and the advocate of twenty years' coercion for Ireland, was one of the bitterest foes of the Union, chiefly on this account. He was one of the Vice-Presidents of the "Southern Independent Association," for the promotion of the cause of the Rebellion, and for

supplying the Confederates with money and arms, and for the ultimate object of founding an empire of slavery on this continent.

In his speech then, on the Southern blockade, the future Lord Salisbury made the following touching allusion to our dangerous prosperity on this side: "The plain matter of fact is, as every one who watches the current of history must know, that the Northern States of America never can be our sure friends, for this simple reason—not merely because the newspapers write at each other, or that there are prejudices on both sides, but because we are rivals—rivals politically, rivals commercially. We aspire to the same position. We both aspire to the government of the seas. We are both manufacturing people, and in every port as well as at every court we are rivals to each other. With respect to the Southern States the case is entirely reversed. The population are an agricultural people. They furnish the raw material of our industry, and they consume the products which we manufacture from it. With them, therefore, every interest must lead us to cultivate friendly relations, and we have seen that when the war began they at once recurred to England as their natural ally."

Thus we see how anxious Great Britain was to take the place which the North has reserved for itself, and so proudly maintained in commerce and industry.

The great coming man, Salisbury, wanted to reduce us all to the position of hewers of wood, drawers of water and planters and pickers of cotton, for the special accommodation of Great Britain, as the mighty centre of the world's manufacturing industries. This would have given a set-back to our civilization, causing us to make a retrogressive move to the dark ages. Since then we have afforded this noble lord and his nation ample proof that we are very far advanced in the manufacturing arts ourselves, and that in many things we are far ahead of England, and they are no doubt greatly surprised that the arrangement by which England was to have all the profit and America all the hard work, has not been carried out.

In this wonderful development of the industrial arts, Wall Street money, enterprise and speculation have played by far the most conspicuous and progressive part, thus enabling us, in little more than two decades, to outstrip the old nations that were so anxious to enslave us, in spite of the fact that they had centuries upon centuries the start of us. It must be galling to some of these people that we are now the most available candidates for the commercial and industrial supremacy of the world, and we have attained this position, in a great measure, through the instrumentality of Wall Street as a civilizer.

CHAPTER III.

HOW TO MAKE MONEY IN WALL STREET.

How to take Advantage of Periodical Panics in Order to Make Money.—Wholesome Advice to Young Speculators.—Alleged "Points" from Big Speculators End in Loss or Disaster.—Professional Advice the Surest and Cheapest, and How and Where to Obtain it.

But few gain sufficient experience in Wall Street to command success until they reach that period of life in which they have one foot in the grave. When this time comes these old veterans of the Street usually spend long intervals of repose at their comfortable homes, and in times of panic, which recur sometimes oftener than once a year, these old fellows will be seen in Wall Street, hobbling down on their canes to their brokers' offices.

Then they always buy good stocks to the extent of their bank balances, which have been permitted to accumulate for just such an emergency. The panic usually rages until enough of these cash purchases of stock is made to afford a big "rake in." When the panic has spent its force, these old fellows, who have been resting judiciously on their oars in expectation of the inevitable event, which usually returns with the regularity of the seasons, quickly realize, deposit their profits with their bankers, or the overplus thereof, after purchasing more real estate that is on the up grade, for permanent investment, and retire for another season to the quietude of their splendid homes and the bosoms of their happy families.

If young men had only the patience to watch the speculative signs of the times, as manifested in the periodical egress of these old prophetic speculators from their shells of security, they would make more money at these intervals than by following up the slippery "tips" of the professional "pointers" of the Stock Exchange all the year round, and they would feel no necessity for hanging at the coat tails, around the hotels, of those specious frauds, who pretend to be deep in the councils of the big operators and of all the new "pools" in process of formation. I say to the young speculators, therefore, watch the ominous visits to the Street of these old men. They are as certain to be seen on the eve of a panic as spiders creeping stealthily and noiselessly from their cobwebs just

before rain. If you only wait to see them purchase, then put up a fair margin for yourselves, keep out of the "bucket shops" as well as the "sample rooms," and only visit Delmonico's for light lunch in business hours, you can hardly fail to realize handsome profits on your ventures.

The habit of following points which are supposed to emanate from the big operators, nearly always ends in loss and sometimes in disaster to young speculators. The latter become slavish in their methods of thought, having their minds entirely subjected to others, who are presumed to do the thinking for them, and they consequently fail to cultivate the self-reliance that is indispensable to the success of any kind of business.

To the question often put, especially by men outside of Wall Street, "How can I make money in Wall Street?" there is probably no better answer than the one given by old Meyer Rothschild to a person who asked him a similar question. He said, "I buys 'sheep' and sells 'dear.'"

Those who follow this method always succeed. There has hardly been a year within my recollection, going back nearly thirty years, when there have not been two or three squalls in "the Street," during the year, when it was possible to purchase stocks below their intrinsic value. The squall usually passes over in a few days, and then the lucky buyers of stocks at panic prices come in for their profits ranging from five to ten per cent. on the entire venture.

The question of making money, then, becomes a mere matter of calculation, depending on the number of the squalls that may occur during any particular year.

If the venture is made at the right time—at the lucky moment, so to speak—and each successive venture is fortunate, as happens often to those who use their judgment in the best way, it is possible to realize a net gain of fifty per cent. per annum on the aggregate of the year's investments.

In this way it is easy to see how the rich will get richer, and the poor poorer.

Sometimes men make money in Wall Street by strange turns in their fortunes that appear like having been governed by a special Providence, and this sometimes occurs when men appear to be utter wrecks.

One of the strangest examples of this kind, in my personal experience, occurred in the summer of 1885.

A man called at my office utterly broken down in spirit, but with a few hundred dollars left out of many thousands that he had possessed a few months previously.

"I read your letter of the third of July," he said, "and had some mind to act on the advice which it contained, but was unfortunately dissuaded therefrom by reading an

article in a city paper by a very able writer, who had got the bearish mania, then prevalent, on the brain, and who, I am informed, is now, like myself, almost ruined."

"I hardly know what to do," he continued. "I have a few hundred dollars left, which I will leave with you, and you can use your pleasure with it. I am going out to the country for the remainder of the summer. I will leave my address with you, and, if there is any good result, you can let me know of it. I really don't hope for much, and of course, I need hardly tell you that, in the event of being 'wiped out,' you need not apply to me for more margin. Let this go with the rest," he added, in a despairing tone.

The man walked sadly out, and I did not see him again for months. I invested his pittance on the *carte blanche* order which he had given me, to the best of my judgment. The result was favorable, and his account began to accumulate. He was duly advised, according to our business methods, of his good luck, but I did not hear anything from him personally for several months.

One day, a portly gentleman, with rosy health beaming in his face, stepped into my private office, and was quite profuse in his thanks to me.

"Well," I said; "I have but a hazy recollection of your acquaintance, if I know you at all."

"Don't you recollect," he said, "the time I went to the country in summer, when I told you my case, and how I had been unfortunate in speculation?"

"And are you the man who went to the country in despair to die?" I asked, in surprise at his changed appearance.

"I am," he replied, "and I owe the wonderful change which you now see to your timely advice. I staked almost my last dollar on that counsel, and now I am comfortably fixed through your management of the small fund placed at your disposal."

How, this was an example of a man who did make money simply by taking the advice that was freely tendered him.

There are others who lose, in spite of all that the most honest judgment can do to prevent them.

Some men, when they have money, are so fearfully perverse that all attempts to get them to do the right thing only have the opposite effect, and they prefer to follow every wild rumor.

One day, for instance, a man gave me an order to buy a thousand shares of Erie without limit. The order was executed at 94. I had no sooner bought it than the stock went down.

My customer returned in a short time and ordered the stock to be sold. It was then 92½.

In half an hour afterwards he returned again and ordered it bought back again, without any limit as before. It was bought back at 95.

After consulting with other friends for some time he ordered it sold again. The market by that time was 90.

He then came back the fifth time, and said: "I first saw one man who told me to buy, and then another who told me to sell. I understand one is called a 'bull' and the other a 'bear.' About these names I don't know much, but I do know now that I am a — jackass."

This affords a good illustration of the way the average speculator is managed and perplexed in Wall Street. There is a means of avoiding such a peck of trouble, however, if he would only take a little wholesome advice, wait patiently for a proper opportunity, and not rush headlong to purchase on the "tips" of the delusive rumor mongers. He would then begin to learn how to make money in Wall Street.

As I have pointed out in another chapter, speculation is a business that must be studied as a specialty, and though it is popularly believed that any man who has money can speculate, yet the ordinary man, without special training in the business, is liable to make as great a mistake in this attempt, as the man who thinks he can act as his own lawyer, and who is said "to have a fool for a client."

The common delusion, that expert knowledge is not required in speculation, has wrecked many fortunes and reputations in Wall Street, and is still very influential in its pernicious and illusory achievements.

When a man wants correct advice in law he goes to a professional lawyer in good standing, one who has made a reputation in the courts, and who has afforded other evidence to the public that he is thoroughly reliable. No man of average common sense would trust a case in law to a bar room "bummer" who would assert that he was well acquainted with Aaron J. Vanderpoel, Roscoe Conkling, and Wm. M. Evarts, and had got all the inside "tips" from these legal lights on the law relating to the case in question. The fellow would be laughed at, and, in all probability, if he persisted in this kind of talk, would be handed over to the city physician to be examined in relation to his sanity, but in Wall Street affairs men can every day make similar pretensions and pass for embodiments of speculative wisdom.

If speculators are caught and fleeced by following such counsel, the professional brokers who are members of the Stock Exchange, are no more to blame than the eminent lawyers to whom I have referred would be for the upshot of a case that had been taken into court on the advice which some irresponsible person had pretended to receive from these celebrities of the New York Bar.

Professional advice in Wall Street, as in legal affairs, is worth paying for, and costs far less in the end than the cheap "points" that are distributed profusely around the Street, thick as autumn leaves in Vallombrosa, and which only allure the innocent speculator to put his money where he is almost certain to lose it.

My advice to speculators who wish to make money in Wall Street, therefore, is to ignore the counsel of the barroom "tippers" and "tipplers," turn their backs on "bucket shops," and when they want "points" to purchase, let them go to those who have established a reputation for giving sound advice in such matters, and who have ample resources for furnishing correct information on financial topics, as well as a personal interest in making all the money they can for their clients.

There is no difficulty in finding out such reliable men and firms in the vicinity of Wall Street, if speculators will only read the newspapers, or make inquiry of the first messenger boy they may happen to meet.

CHAPTER IV.

IMPORTANCE OF BUSINESS TRAINING.

Sons of Independent Gentlemen make very bad Clerks.—They become Unpopular with the Other Boys, and must Eventually Go.—Night Dancing and Late Suppers don't contribute to Business Success.—Give Merit its True Reward.—Keeping Worthless Pretense in its True Position.—Running Public Offices on Business Principles.—A Piece of Gratuitous Advice for the Administration.—A College Course not in general calculated to make a Good Business Man.—The Question of Adaptability Important.—Children should be Encouraged in the Occupation for which they show a Preference.—Thoughts on the Army and Navy.

I have usually found that the sons of independent gentlemen, who have great expectations, make very poor clerks and don't develope into Good Wall Street men.

Their expectations seem to dwarf the ability that might develope under the more favorable auspices of being obliged to paddle their own canoe. Like the light under a bushel, referred to in the Good Book, their brilliant qualities are obscured and circumscribed by the paternal protection in prospect. They have not a sufficient incentive to work, because they know that all they require for their natural wants will fall easily into their laps. The motives, therefore, which usually develope the greatest mental qualities are absent and the qualities themselves lie dormant, and frequently decay like poppy seeds in their seed vessels, without being productive of the fruits which are the result of industrial habits and the desire for acquisition. Such young men, instead of being a help to an office into which they happen to be thrust, often through friendship and favoritism, are a great hindrance and a stumbling block in the path to promotion of other young men.

After many ineffectual attempts to reform and remodel them, they have generally to be discarded, as the drone bees are ejected from the rest of the industrious hive. And they usually become as unpopular with the other boys as the drone does with his comrades who make the honey and will not suffer the idle fellow to feast on the fruits of their labor.

Young men who have nothing but their own resources to depend upon will be found far more meritorious than this higher class. There are some eminent exceptions, but it takes a large amount of good sense to counteract the conceit instilled by the idea of financial independence by birth.

The latter are more liable to youthful and enervating excesses, as they have the means to indulge in nocturnal amusements that are not conducive either to clear brains or active habits during the day.

Night dancing and late suppers, with some of their social concomitants, when habitually indulged, don't contribute to business success. I know how this is myself, and therefore speak feelingly; but I don't lay myself open to the charge of egotism when I say that I have never permitted the habit to get the better of me.

I am not setting myself up as a censor of other men's habits, nor attempting to utter mere moral or religious cant. I am simply discussing the question from a scientific and physical standpoint, and I say that these habits don't contribute to business success, but, on the contrary, form one of the greatest hindrances to it. They make any man, no matter how strong he may be, physically unfit for ordinary business. These "recreations" up town, however attractive and delightful they may be, don't fit a young man for business down town. The line must be drawn somewhere. Let us draw it, say, at Fourteenth street.

There has been much said and written about Civil Service Reform by various authorities from President Cleveland down to Dorman B. Eaton and the Custom House officials. The great rule to follow is to give merit its true reward This draws out the best efforts of the recipient, where real merit is found, and keeps the drones beyond the pale of competition. It develops the qualities that are worthy of being encouraged, and keeps worthless pretense in its true position. This is the role I have adhered to in my office, and it works like a charm. My office, though not quite so large as the Custom House or Post Office of New York city, I think affords a fair test of what could be done on the largest possible scale.

If public office is a public trust, and we have the high authority of President Cleveland and of the New York *Tribune* for saying so, I think it can be administered on the same business principles that have contributed to the success of some of the largest and most successful firms in the world; and among these, I think I can say without egotism, as the matter is capable of demonstration, that the house of which I have the honor to be the head, stands second to none in the attributes to which I have referred.

The reader may say, "This is a puff for his own house." Well, even so. If it is, it is true, and will bear the strictest investigation. So I don't see why I should feign any false modesty about the assertion. It would be sheer affectation to do so.

Collegiate education is a great question for debate among literary men, journalists and business men, as to its utility in forming the character of youth for business life. As the college curriculum and training stand at present, the ordinary course is not in general calculated to make a good business man. It is erroneously regarded by some people as a kind of substitute for business training in the earlier years of a young man's life. There could be no greater mistake in the beginning of a business career. It is in many instances not only a hindrance, but absolutely fatal to success. To put a young man in an office fresh from college, on a level with one of the same age who has been training in business methods since he left the common school, is demoralizing to both.

I wish to have it distinctly understood that in the foregoing remarks I have not made any attempt to cast the slightest reflection on the personal attributes and abilities of any young man in any line of life or status of society, and I make this statement perfectly independent of the mere social incident as to whether the young man in question may part his hair in the middle or assume other dudish airs. That is his business, and I have no right to trench on the sacred precincts of his individuality, nor do I mean to do so. As a rule I stick to my own business. I simply intend to imply that when a dude happens to come into my office, where I think he will find the most æsthetic appointments in the way of furniture and the business arrangements, if he should, upon thus entering into my employment, come to the sudden conclusion that this æstheticism of office furnishing implied any plea for idleness or assumption of airs on his part, he would very soon experience a rude awakening from his charmed lethargy of conceit, and if he were not prepared to undertake in a calm and appreciative tone of mind the first lessons of business industry, I would politely bid him an affectionate adieu, and on parting tell him very kindly that though his great natural gifts might be thoroughly adapted to shine in another sphere of life, he was both by nature and education totally unfitted to play the most humble part in a business career, such as that of which my firm affords a fair and most successful example.

The same remarks will apply to any other young man who does not appreciate his vocation, and try to know himself as old Seneca taught.

I don't insidiously single out the dude for an odious comparison. The remark will apply just as appropriately to the young man who is better fitted for a blacksmith or a farmer, or perhaps a preacher, than a business man or a financier.

"All blacksmiths," says the Rev. Robert Collyer, "can't become preachers, and it would be bad for the world if they did." There is a good deal of philosophy in the remark of this popular preacher, and quite to the point on the subject which I am now attempting to handle.

In fact, there is nothing in this world would grieve me more than the prospect of being obliged to reflect in future years on the fact that I had been instrumental in keeping a young man's "nose to the grind-stone," so to speak, in my office, where he would make

a very poor employee without the chance of attaining average success, while in a career for which nature and education had fitted him, he might not only be happy and successful, but make his mark as a star of the first magnitude.

When viewed in this light, the question of adaptability becomes a serious affair, for young men starting in life, and for their parents, who often sacrifice a great deal of their worldly comforts and peace of mind to launch their fond offspring.

The best thing for parents to do, then, as a general rule, is to encourage their children in that occupation or avocation for which they show a decided preference. Whatever young men do voluntarily, as a rule, they do well. This is especially illustrated in the lives of youths who exhibit an inclination for a military pursuit, which offers the least inducement to human avarice, and attracts the mind through the more sentimental motives of patriotism and the love of glory. But in our present civilization there are national feelings that must be inculcated and encouraged.

I entertained at my Newport residence, during the past Summer, the officers of the 23d Brooklyn regiment of the National Guard of the State of New York, because I felt it a matter of duty to do so, as well as a privilege to do my part in contributing to the encouragement of the young men who have taken it upon themselves voluntarily to be members of that militia company.

These young men visit Newport at very great cost to each one, as they themselves have to contribute to the expenses attending the trip, and their presence in Newport in going through, regularly each day, their drills and parades with as much precision and correctness as though they all had been graduates of West Point, all well equipped and well attired in plain but most becoming military apparel, made a most interesting scene to witness, contributing not a little to the amusement and gratification of the residents of that famous watering place. They are becoming disciplined to be soldiers. They are mostly young men of good families, of profitable occupation, many in business for themselves and others trustworthy clerks in the employ of others, with good salaries; consequently they make a great sacrifice to themselves in the time that they thus bestow upon such excursions as well as ordinarily in the drills which they have to go through, when at home, once or twice each week, frequently oftener. What is the incentive in this personal sacrifice on their part?

The answer is, the spirit of patriotism, and that really is what it means, for in the event of a foreign invasion or internal disturbances, their services are pledged to the State and to the Government. They are therefore liable to receive at a moment's notice a call from any quarter to go to the front with their lives in their hands, leaving their families, their wives, their children, their old parents, their business, leaving all and requiring a farewell at their departure, as the dangers they may have to encounter are threatening in character and, not unlikely, may prevent their ever returning alive.

Taking this view of the subject, therefore, these young men should be encouraged by all who have the means and power at their hand, and to the full extent of their ability. Whenever they go on missions of State defense, it is only just and fair that they should be received as soldiers, and accorded the honors which soldiers merit. They are entitled to it to a greater extent than the regular soldiers of the United States standing army. These men do not make one-half the sacrifice that the young militia do, nor do they make any better soldiers on the battle-field.

These militia soldiers, when they go to the front, leave behind them enough, in the way of properly, good homes and families, to make them more enthusiastic to fight for victory, than the regular army, so that they may return to their own domestic circles with the laurels that victory gives.

In thin country we do not desire standing armies, for we do not wish the expense entailed upon the Government to sustain them, but we do want the young men encouraged to do military duty and be prepared for action when it comes. The only money, therefore, that the Government need expend to protect our continent is a good militia force in each of the various States, to be well disciplined. In that case our country will be prepared to meet foreign foes.

I am also opposed to a large standing naval force, not only on account of the expense, but also because our country is less likely to get into trouble with other nations, providing we have no ships to send into their waters. Naval officers are often very impetuous and chivalrous and sometimes fancy they have grievances to repel, which are largely imaginary, and with them it is a word and a blow.

With a thoroughly equipped and largely efficient naval force, we might thus not unlikely be driven into a conflict without cause or reason with some friendly power. Our country is happily located far in the distance from the quarrelling nations of Europe, and our being so removed is our protection. It is not desirable to be brought in closer contact by sending our naval vessels into their waters, to be under their fire. The policy of this nation is peace and good will to all mankind. What gain would it be to America to have a conflict with England, even though we should conquer in the end, or France, or Germany, or Russia? We couldn’t tow any of these countries to ours, nor could we hold on to our conquest as a permanent possession; neither should we desire to do so, as we have territory enough in the 38 States which comprise the United States of America, already, without desiring to annex that of any of our far-off neighbors.

And if an emergency should arise in what has been called the last resort of kings, namely, the necessity of going to war, it would be found that the importance of this training in the special business of war could then be appreciated at its true value.

The importance of business training, that is, training for the special occupation in which a man’s energies are to be developed, is always made apparent when those

energies are put to the test of competition, or are called upon to put forth an extraordinary effort. If a man has not got the special training, whether in the army or in civil life, he is never reliable in an emergency, but is like that weak and vacillating friend which old Solomon compared to a broken ankle.

I say, therefore, to the young man of the rising generation, while you don't relax any effort to procure all the education that your time and means will afford, above all things, don't neglect the paramount importance of business training.

CHAPTER V.

PERSONAL HONOR OF WALL STREET MEN.

Breach of Trust Rare Among Wall Street Men.—The English Clergyman's Notion of Talmage's Tirades Against Wall Street.—Adventurous Thieves Have No Sympathizers Among Wall Street Operators.—Early Training Necessary for Success in Speculation.—Ferdinand Ward's Evil Genius.—A Great Business can only be Built up on Honest Principles.—Great Generals Make Poor Financiers, Through Want of Early Training.—Practical Business is the Best College.

There is no place in the world where people are trusted so much on faith as they are in Wall Street; not even in the Church.

The business is one of mutual confidence, and each day there are numerous opportunities for men to secure many millions of dollars of other people's money and take themselves safely off to that Paradise of defaulters and absconders over the Border. Yet instances of this nature are comparatively rare when we consider the large number of transactions and the immense amount of money handled in Wall Street.

The men of Wall Street have, therefore, become world-renowned for straightforward dealing, and have thus obtained the first position as leading spirits in the speculative affairs not only of their own country, but of the entire world. Wherever the speculative spirit of the age has obtained a foothold, there Wall Street is a household word, and Wall Street men are held in the highest esteem. It has become a term familiar to the ears of those even who know nothing about the business which has made its name almost universal.

"What is that Wall Street?" said an English curate to a friend of mine who recently visited Liverpool. "What a queer place," he continued, "for Mr. Talmage to have his Tabernacle."

The English divine, evidently only having "caught on" to isolated sketches of the Brooklyn preacher's calumnious invectives, thought they were actually delivered among the bulls and bears, and that Talmage had the boldness to beard these ferocious animals in their den.

It is true the honor of Wall Street is sometimes slightly tarnished, especially in the eyes of those who reside at a great distance, owing to the occasional delinquencies of dishonorable men, who consider Wall Street men and Wall Street money fair game for swindling operations. These are for the most part outsiders, who pounce upon the Street as their illegitimate prey, after probably making a show of doing business there.

There is no place, of course, where confidence men have the opportunity of reaping such a rich harvest when they can succeed in establishing the confidential relations that help them to secure their swag. But Wall Street proper is not any more responsible for such men than the Church, whose sacred precincts are used and abused by the same social pariahs in a similar manner. The Street is the victim of these adventurers, and has no more to do with nurturing and aiding them than the Church has.

What should be said of a financier who would have the temerity to assert that the Church was an asylum for swindlers, and that thence they issued forth to commit their lawless depredations on society? He would be tabooed by all intelligent people. Yet there would be about as much truth in such a statement as in most of the eloquent anathemas and objurations launched from the pulpit every Sunday against Wall Street.

There is no place on this earth where adventurous thieves have fewer sympathizers than in Wall Street, except perhaps in Pinkerton's and Byrnes' detective bureaux.

There is another popular delusion with regard to those who don't succeed in Wall Street. Their failure is frequently attributed to sharp practice on the part of the old habitues of the Street. People forget that the business of speculation requires special training, and every fool who has got a few hundred dollars cannot begin to deal in stocks and make a fortune. The men who don't succeed are usually those who have spent their early life elsewhere, and whose habits have been formed in other grooves of thought.

The business of Wall Street requires long and close training in financial affairs, so that the mind may attain a flexible facility with the various ins and outs of speculative methods. If this training is from youth upward, all the better. It is among this class that many of our most successful men are to be found, though there are some eminent examples of success among those who began late in life. It will be found, however, that the latter must have a special genius for the business, and genius, of course, discounts all the usual conditions and auxiliaries; but among ordinary intellects early training is generally indispensable to financial success.

It seldom happens, moreover, that the early trained man from youth up does any great wrong.

Ferdinand Ward may seem an exception to this rule, but he had a born genius for evil, and though he had all the early advantages of Timothy and Samuel the Prophet, with a higher civilization thrown in, so utterly incorrigible was his nature that nothing but

prison walls and iron bars could prescribe bounds to his rascality. He is an extraordinary exception, a genius of the other extreme, against whose subtle operations society must always be on its guard; but he is only one of the dangerous exceptions that prove the rule for which I am contending, the rule that early training in finance more, perhaps, than in any other field of human energy, is the great desideratum.

If such a man is unsuccessful, dishonor seldom accompanies his misfortunes. He may pass through the whole catalogue of financial disasters and their natural results. He may fall to the gutter through over-indulgence in liquor and the despair attendant on a run of bad lack or unfortunate connection with wicked partners, but he is still capable of rising from the very ashes of his former self. He will never stoop to swindle, no matter how low the rest of his moral condition may be brought.

No great business can be built up except upon honest and moral principles. It may flourish for a time, but it will topple down eventually. The very magnitude to which the business of Wall Street has grown is a living proof of its moral stamina. It is impossible, in the social and moral nature of things, to unite a large number of men, representing important material interests, except on principles of equity and fair dealing. A conspiracy to cheat must always be confined to a small number.

The most successful men of Wall Street, to my own personal knowledge, are those who came to the Street young and have "gone through the mill," so to speak; those who have received severe training, who have had some sledgehammer blows applied to their heads to temper them, like the conversion of iron into steel.

These are some of the prerequisites of a successful financial career.

One of the most common delusions incident to human nature in every walk of life is that of a man who has been successful in one thing imagining he can succeed in anything and everything he attempts. In general, overweening conceit of this kind can be cured by simple experiments that bring men to a humiliating sense of their mortal condition and limited capacity. When the experiment is tried in Wall Street, however, to these healthy admonitions are frequently added irreparable disaster and overwhelming disgrace.

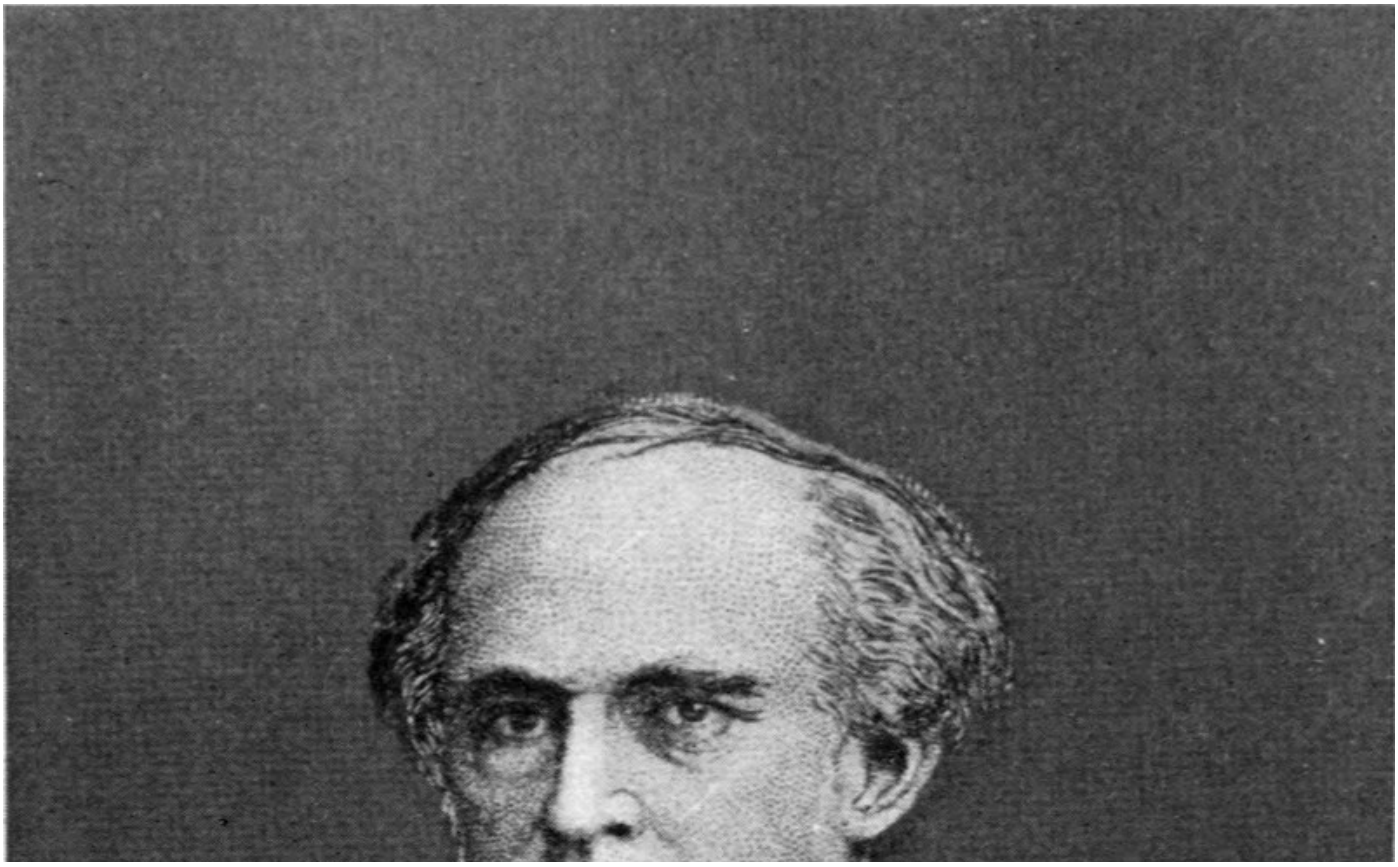
I shall note a few examples within the memory of newspaper readers still living. The brief panic of 1884 brought several instances of this character to the surface. Some of them had fought our battles for national existence and preserved the Union when this achievement seemed almost hopeless. Their fame as generals was as extensive as history itself. They had planned and executed projects with success on which the destiny of a great nation, and perhaps the destiny of other nations, had impended, yet when they attempted to manage banks, railroads and financial operations they became hopelessly entangled.

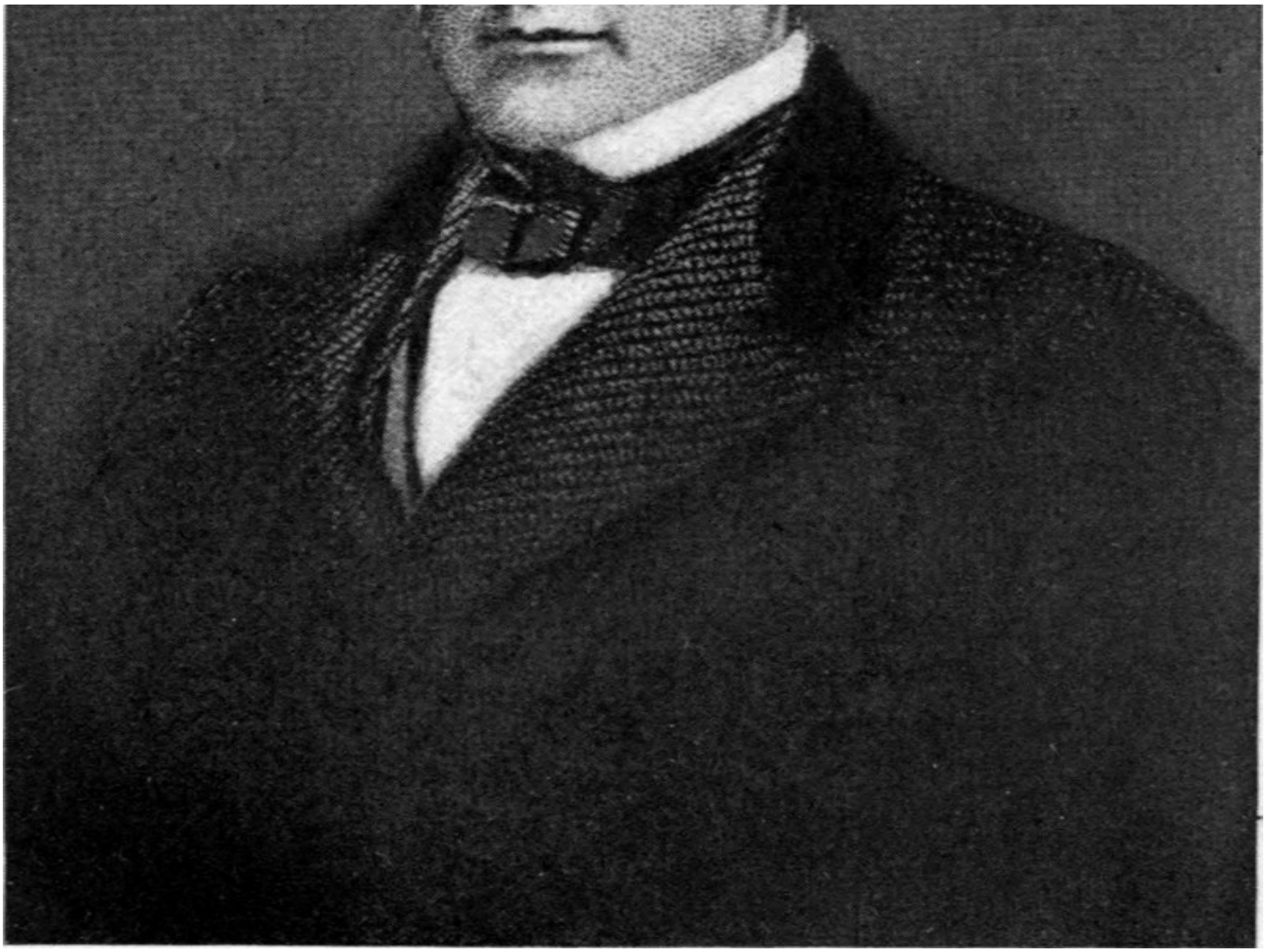
The great captain of the Union's salvation was as helpless as a babe when Ferdinand Ward and James D. Fish moved upon his works. The eye that took in the whole situation

at a glance at Vicksburg, Richmond and Appomatox was totally unable to penetrate the insidious and speculative designs of the "Young Napoleon of finance."

General Grant was a victim, not so much to the sincere, veracious and unsuspecting attributes which were so largely predominant in that great man, as to his want of early training in financial business affairs, and to the fact that he was unable to appreciate its necessity in dealing with sharp business men of loose morals. Generals Winslow and Porter fell into a similar error of judgment in the West Shore Railroad matter. Their mistake came near being a serious blow to the railroad interests of this country. General Wilson, of the New York and New England, and General Gordon were similarly unfortunate. The common mistake committed by these worthy men, to whom the country owes an inestimable debt of gratitude, was the chief cause of the "general demoralization," to which Treasurer Jordan facetiously but indignantly alluded when denouncing railroad methods, and which from time to time has played sad havoc with some of the best securities in the country.

Therefore, I say to all who have sons destined for a business career, let your cherished offspring have the advantage of early practical training in the particular line of business for which you may consider them best adapted, and do so, even to the partial neglect of their school and college education. Practical business is the best school and college in which they can possibly graduate. I shall attempt to make this point clearer in another chapter.





SALMON P. CHASE,
Secretary of the U. S. Treasury during the war period.

CHAPTER VI.

WALL STREET DURING THE WAR.

The Financiers of Wall Street Assist the Government in the Hour of the Country's Peril.—The Issue of the Treasury Notes.—Jay Cooke's Northern Pacific Scheme Precipitates the Panic of 1873.—Wall Street Has Played a Prominent Part in the Great Evolution and Progress of the Present Age.

Wall Street came to the rescue of the country when the war broke out. The Government then did not have money enough to pay the interest on the debt, and was sorely embarrassed for a time. The Hon. S. P. Chase, Secretary of the Treasury, sent word to Mr. Cisco, the Sub-Treasurer in New York, to do everything in his power to raise the money required to sustain the nation's credit.

Mr. Cisco apprised the "Street" of the instructions he had received from Washington concerning the empty condition of the Treasury. He showed a number of the leading operators and financiers that within a few days the interest on the accruing obligations would have to be paid, or the Government paper should go to protest. It was clearly demonstrated that if funds could not be raised the Government should be placed in a perplexing position, that would, in all probability, greatly complicate and prolong the struggle for national existence. It was one of the most critical moments in the whole history of the Republic, and the emergency required clear, decisive judgment, and promptitude of action.

Wall Street men perceived the gravity of the situation at a glance. If the Government's credit should collapse, it was feared that the whole framework of our political system would be endangered.

The foundation of all securities was threatened with a destructive upheaval, and most serious consequences were likely to ensue, menacing a contraction of all values. The prospect was very dark. Not a ray of hope shone through the sombre clouds that hung dismally over the Union. The internal dissensions of our people, and the apparent destruction of our national life, were watched with the deepest interest by European

friends and foes—the latter being then largely in the majority, and only waiting a favorable opportunity to pounce upon what they considered their destined prey.

Manifest destiny seemed to have leagued all her forces in opposition to us. The stoutest hearts quailed at the prospect of our dissolution as a nation.

At this momentous juncture, when there was no eye to pity, and when no other arm seemed mighty enough to save, the Wall Street men were equal to the occasion. They put their heads together, came to the front, and resolved to extricate the Government from its perilous position. It is true that they were well paid for it. They charged twelve per cent. for the loan, but that was nothing when the risk is taken into account. It was then almost impossible to get a loan at any rate of interest. By some of the great nations of Europe the risk then involved in such a loan was regarded in about the same light as the people of this country now estimate the present chances for realizing on Confederate paper money, or Georgia bonds of the old issue.

In this state of public feeling, Lombard Street was not in a favorable mood to negotiate loans with this country, and, the whole fraternity of the Rothschilds shut their fists on their shining shekels and shook their heads negatively and ominously at the bare mention of advancing money to the once great but now doomed Republic.

Money was dear at the time, and the Government was only obliged to pay what could have been obtained in other quarters. Curiously enough, private property then was considered better security than the Government endorsement, on the principle—which was not a very patriotic one, though in reality true—that the country could survive its form of government. That form, however, the best the world has yet seen, survived the shock and maintained its autonomy. That it did so was in a large measure due to the prompt action of Wall Street men in raising the sinews of war at the incipient stage of the rebellion. Had they failed to do so, it is not improbable that the repulse at Bull Run might have proved a decisive blow to the Union, and plunged the country into a state of anarchy from which nothing but a despotism almost as bad could have retrieved it.

The negotiation of this loan brought out the twelve per cent. Treasury notes. After this issue the rates fell. Then came the 11 and the 10¾ per cent. issues, and subsequently the well-known and long to be remembered 7 3-10 Treasury notes.

After this issue had been popularized, successfully disposed of, and finally taken up at maturity by the 5-20 loan, Jay Cooke was quick to issue, after their pattern, his famous 7 3-10 Northern Pacific Railroad bonds. Evidently he had a patent for negotiating that famous 7 3-10 per cent. railroad loan, as almost every clergyman, Sunday-school teacher and public benefactor were found to have invested in them, when the crash came, and although the road was the means of his financial downfall, with the ruin of an innumerable number of others besides, who were dragged into the same speculative whirlpool, this unfortunate event was not entirely an unmixed evil.

It is true that this was the main and visible cause of precipitating the panic of 1873, of which I shall speak more fully in another chapter, but the Pacific road was the great pioneer in opening up the Far West, and developing its material resources, the great artery of the Western railroad system, conveying vigorous and durable vitality to the industrial life of the expansive regions beyond the Rockies.

Thus, in taking a retrospect of my twenty-eight years in Wall Street, I find that what sometimes appeared to be great evils have been succeeded by compensating good, fate counter-balancing fate, as the Latin poet has it. It was so, as I have previously observed, after the panic of 1857. It was so after the convulsion of 1873, and though I have only historic evidence to guide me in regard to the earlier history of the Street, I find it was so after 1837. So, the maxim that history repeats itself has been fully verified in Wall Street.

So, now that I have relapsed into a reflective mood on this subject, a host of important associations connected with the main issue rush upon me. The prominent idea that stands out in bold relief is the rapid and wonderful progress made in Wall Street during the period that I have undertaken to chronicle. And not only so, but the rapid strides that have been made in everything, almost universally, during that time, present a vast theme for consideration. The part that Wall Street men have taken in this mighty evolution is the topic that concerns me most at present. As I attempt to progress with my subject, I observe this division of it becoming more expansive, so that I find myself in the position of the Irishman when he ascended to the top of a mountain. After recovering from the first effects of his surprise, he exclaimed: “I never thought the world was so large!”

So it is with me. I never thought that Wall Street was so big, nor that Wall Street affairs were so extensive, until I began to write about them. They expand, as well as improve, surprisingly on closer acquaintance. I only hope I shall be able to impress this idea more vividly on the minds of my clerical friends, and others who have been misguided in this respect, chiefly on hearsay and irresponsible evidence, and who, I am sorry to say, have been the well-meaning, but over-zealous instruments of misleading others.

To come to an approximate deduction of facts, then, it is, I think, a fair estimate of the general progress of humanity, to say that there has been greater material advance in everything that relates to a higher civilization, and the greatest good to the greatest number, during the last thirty years, than in all the previous time that has elapsed since the period that the father of history, old Herodotus, began to chronicle, in his racy style, the real and imaginary events of the human family.

The part that Wall Street has played in this amazing progress has been comparatively large, and would, if thoroughly investigated and fully discussed, make a larger book than I have time to write at present.

I can only glance at the prominent topics and leading events in the extensive and somewhat sensational history of Wall Street, and sketch briefly the conspicuous features in the lives of certain celebrities who have been conspicuous in the history of speculation, and of those who have been prominent in the financial affairs of the country.

CHAPTER VII.

MORE WAR REMINISCENCES—BRITISH AND NAPOLEONIC DESIGNS.

How Napoleon Defied the Monroe Doctrine.—The Banquet to Romero.—Speeches by Eminent Financiers, Jurists and Business Men.—The Eloquent Address of Romero against French Intervention.—Napoleon shows his Animus by Destroying the Newspapers Containing the Report of the Banquet.—The Emperor Plotting with Representatives of the English Parliament to Aid the Confederates and Make War on the United States.

There were other critical periods during the war when Wall Street came to the front, besides the one in which it rendered such timely aid to the Government in its financial embarrassment. One of these was when the Emperor of the French, Napoleon III., showed his cloven foot and exhibited anew the rancorous disposition which ten years previously had crushed the Republican hopes of La Belle France by the murderous *Coup d'Etat*. He made a bold attempt to plant that blood-stained foot on this fair soil, in open defiance of the Monroe doctrine, and to crush the liberties that his immortal uncle, even in the full flush of his great conquests, dared not attack and was forced to respect.

I shall here relate an incident of this period, which, I think, has not obtained the prominence in our national history to which, I believe, it is justly entitled.

Senor Romero, then Mexican Minister at Washington, was invited to a public dinner in New York, in order that proper occasion might be found to discuss the situation with regard to the intentions of Napoleon the Little concerning Mexico, and with a view of preventing foreign intrusion, which was only the entering wedge for future invasion, at a time when our nation was engaged in a family struggle to maintain its own existence, and demonstrate the durability of Republicanism.

The dinner, at which there was a grand manifestation of sympathy in favor of the Mexican cause against French invasion, took place on the evening of March 29, 1864, at Delmonico's, Fifth Avenue and Fourteenth street. The banquet was held in four of the largest rooms. The large dining hall was illuminated as a promenade for the families of the hosts and guests, and a large concourse of ladies and gentlemen who were invited to

see the table and be presented to the distinguished envoy. The rooms were elegantly decorated with flowers, grouped and festooned with artistic skill, and the doorways arrayed with fragrant wreaths and garlands. One room was set apart for the orchestra, and Helmsmuller furnished the music.

Senor Don Juan N. Navarro, Consul-General of the Mexican Republic, Ignacio Mariscal, an eminent jurist of Mexico, and Don Fernando De La Cuesta, Assistant-Secretary of the Legation, were invited guests. Following are the names of the Committee of Invitation:

WILLIAM C. BRYANT,
WILLIAM H. ASPINWALL,
HAMILTON FISH,
JOHN W. HAMERSLEY,
JONATHAN STURGES,
JAMES W. BEEKMAN,
J. J. ASTOR, JR.,
SMITH CLIFT,
W. E. DODGE, JR.,
DAVID HOADLEY,
FREDERICK DE PEYSTER,
W. BUTLER DUNCAN,
WILLIAM CURTIS NOYES,
HENRY CLEWS,
FREDERICK C. GEBHARD,
JAMES T. BRADY,
GEORGE T. STRONG,
HENRY DELAFIELD,
HENRY E. PIERREPONT,
GEORGE OPDYKE,
DAVID DUDLEY FIELD,
GEORGE BANCROFT,
C. A. BRISTED,
ALEXANDER VAN RENSSELAER,
GEORGE FOLSOM,
WASHINGTON HUNT,
CHARLES KING,
WILLARD PARKER,
ADRIAN ISELIN,
ROBERT J. LIVINGSTON,
SAMUEL B. RUGGLES.

Hon. James W. Beekman presided. The stewards were John Jacob Astor, John W. Hamersley and Henry Clews.

When full justice had been done to the large variety of sumptuous dishes, the chairman called the company to order, and explained that the object of the meeting was to do honor to the great cause of religions and political freedom contended for by the Republic of Mexico. The chair gave the first regular toast, “The President of the United States,” and called upon David Dudley Field to respond, who did so in his usual

eloquent style, stating that the sentiment of the whole country was united in sympathy with the cause of the Mexicans, and that the Executive Department of the Government was simply the agent and exponent of the popular will. He dwelt at some length on the French invasion of Mexico as one of the greatest crimes of the age, and predicted the brief reign of Maximilian. Mr. Field wound up his discourse with the following grand peroration:

> Maximilian may come with the Austrian eagle and the French tricolor; he may come with a hundred ships; he may march on the high road from Vera Cruz to the capital, under the escort of French squadrons; he may be proclaimed by French trumpets in all the squares of the chief cities; but he will return, at some earlier or later day, a fugitive from the New World back to the Old, from which he came; his followers will be scattered and chased from the land; the titles and dignities which he is about to lavish on parasites and apostates will be marks of derision; the flag of the republic will wave from all the peaks of the Cordilleras, and be answered from every mountain-top, east and west, to either ocean; and the renewed country, purified by blood and fire, will resume its institutions, and be free.

The second toast was, "Don Benito Juarez, Constitutional President of the Mexican Republic," to which Mr. Charles King, President of Columbia College, responded. He spoke of Mexico as the friend and ally of the Union as opposed to European hostility.

His Excellency, Senor Matias Romero, the honored guest of the evening, then made a brilliant speech on the situation, from which I take the following extracts:

> "I am very happy to say that the kind of feeling you express for Mexico is fully reciprocated. In Mexico there are now but the sentiments of regard and admiration for the United States, and the desire to pursue such a course as will draw more closely all those powerful ties by which both nations should be united.
>
> "The Emperor of the French pretends that the object of his interference in Mexican affairs is to prevent the annexation of Mexico to the United States; and yet that very thing would, most likely, be ultimately accomplished if a monarchy were established in Mexico. Fortunately for us, that scheme is by no means a feasible one.
>
> "We were willing to grant to the United States every commercial facility that will not be derogatory of our independence and sovereignty. This will give to the United States all possible advantages that could be derived from annexation, without any of its inconveniences. That once done, our common interests, political as well as commercial, will give us a common whole American continental policy which no European nation would dare disregard.
>
> "The bright future which I plainly see for both nations had made me forget for a moment the present troubles in which they are now involved. I consider these troubles of so transitory a nature as not to interfere materially with the common destiny I have foreshadowed; but, as they have the interest of actuality, I beg to be allowed to make a few remarks in regard to them.
>
> "Every careful observer of events could not help noticing, when the expedition against Mexico was organized in Europe, that it would, sooner or later, draw the United States into the most serious complications, and involve them in the difficulty. The object of that expedition being no less than a direct and armed interference in the political affairs of an American nation, with a view to overthrow its republican institutions and establish on their ruins a monarchy, with a European prince on the throne—the only question to be determined by the United States and the other nations concerned, was as to the time when they would be willing or ready to meet the issue thus boldly and openly held out by the antagonistic nations of Europe.

"This, in my opinion, is the situation in which the United States are placed with regard to Mexico. Taking into consideration the well-known sagacity of American statesmen the often-proved devotion of the American people to republican institutions, and the patriotism and zeal of the Administration that presides over the destinies of the country, I cannot entertain the slightest doubt that the United States will act in this emergency as will conduce to the best interests they and mankind at large have at stake in the Mexican question.

"The United States may find that they are brought squarely to the issue in the Mexican question sooner than they expected, should the report, lately reached here, of any understanding between Maximilian, as so-called Emperor of Mexico, and the insurgents in this country, prove correct. The archduke, it is stated, will inaugurate his administration by acknowledging the independence of the South, and, perhaps, he will go further; and this, of course, by the advice, consent and support of the French Government, whose satellite, and nothing else, will the archduke be in Mexico.

"Among the many events calculated to terminate immediately French intervention in Mexico, the European complications which threaten to cause a general war on that continent should be particularly mentioned. It is certainly wonderful that while Europe is in so insecure and agitated a condition, menaced by revolutions everywhere, and wrestling to recover its own existence and independence, the French Emperor should be thinking about arranging other people's affairs, as if his own did not require his immediate and most particular attention."

Mr. George Bancroft, the eminent historian, was next called upon to reply to the toast, "The Eminent Statesmen of Mexico," among whom the chair named Guatimotzin, Hidalgo, Morelos, Ocampo, Lerdo and Degollado. Mr. Bancroft said:

MR. BANCROFT.

GENTLEMEN—Although I am not prepared to deliver an address worthy of this auditory, I can not refrain from replying and expressing my sentiments, as I have been called to reply to the toast which our president has just proposed to the statesmen of our neighboring sister republic. The struggle which for many long years the Mexican people have sustained against their interior tyrants has been an heroic struggle, worthy of a civilized and cultivated people, and in which the sympathies of the whole civilized world—of all the friends of political and religious liberty—ought to have been manifested in a frank and decided manner in behalf of the Mexican people, directed by the liberal party. I believe, gentlemen, that the cause of civil wars, not only in Mexico, but throughout all Spanish America, has been the clergy alone, who, when they come to acquire power in the State, always strive to overturn the government and to subordinate the temporal interests of society to their own. This attribute seems to belong principally to the Catholic clergy.

"The struggle, then, in which up to this time the patriotic Mexicans have been engaged, was a holy struggle, and the sympathy of the whole people of the United States was with them—a people who, whatever may be their religious creeds, adopts as a fundamental principle the most complete religious liberty, and the absolute independence of the Church from the State.

"But now the sympathy of the United States is increased for the Mexican people, when, in addition to the facts already mentioned, we find this people struggling for their independence and nationality against a European nation, which, taking advantage of the civil strife in which we were engaged, has sought to establish before our eyes a form of Government in open antagonism to our own. We can not do less than receive this project in the same way as Europe would receive it, were we to foment revolutions and establish republics on that continent.

"Then it is that those statesmen in the United States who aid us to emerge from our present difficulties, and to restore our power and legitimate influence, and those who in Mexico not only consummate the great work of establishing religious liberty on a solid basis, but who succeed in driving from their country the foreign invader, or at least keep the sacred fire of patriotism and of resistance to the invader burning,

while we disembarrass ourselves of our complications, deserve, in the highest degree, our success and ardent homage.

"Gentlemen, the Egyptians used to place a burning lamp at the feet of their royal corpses. On descending the steep vaults in which the corpses were deposited, the lamp was naturally extinguished.

"Let Europe place at Maximilian's feet the weak lamp of monarchial power. It will not burn in the atmosphere of our continent."

Mr. William Cullen Bryant was then called upon, and said, in part:

"We of the United States have constituted ourselves a sort of police of the New World. Again and again have we warned off the highwaymen and burglars of the Old World who stand at the head of its governments, styling themselves conquerors. We have said to them, that if they attempted to pursue their infamous profession here they did it at their peril. But now, when the police is engaged in a deadly conflict with a band of ruffians, comes this Frenchman, knocks down an unoffending bystander, takes his watch and purse, strips him of his clothing, and makes off with the booty. This act of the French monarch is as base, cowardly and unmanly as it is criminal and cruel. There is no person, acquainted, even in the slightest degree, with the political history of the times, who does not know that it would never have been perpetrated had not the United States been engaged in an expensive and bloody war within their own borders.

"We thought that we saw the dawn of an era of enlightened government in the administration of Juarez. That dawn has been overcast by the clouds of a tempest wafted hither from Europe. May the darkness which has gathered over it be of short continuance; may these clouds soon be dispelled by the sunshine of liberty and peace, and Mexico, assured of her independence, take the high place which belongs to her in the family of nations." (Continued applause.)

Senor Don Ignacio Mariscal responded to "Our Guest and the Bar of Mexico."

Mr. George Folsom, formerly envoy from the United States to the Netherlands, responded on behalf of the diplomacy, making special reference to Don Jose Lopez Uraga, Mexican Minister to Berlin.

Dr. Willard Parker responded to the health of Dr. Navarro, formerly Chief of the Medical Staff of the Mexican Army.

Mr. George Opdyke responded on behalf of the merchants.

Senor De La Cuesta replied to the Commerce of Mexico.

Mr. Jonathan Sturges spoke for the fine arts of Mexico.

Mr. Washington Hunt spoke, protesting strongly against the French invasion of Mexico.

Mr. Frederick De Peyster, President of the New York Historical Society, responded on behalf of the historians of Mexico. He also made some eloquent remarks on the tyranny of French intervention.

Mr. Henry E. Pierrepont spoke, as the representative of Brooklyn, against the French policy in Mexico.

Mr. Smith Clift responded on behalf of the Bar.

Mr. Charles Astor Bristed replied on behalf of the Literary Men.

Mr. William E. Dodge, Jr., spoke on behalf of the Young Men of America. "The tread of a French invasion," he said, "is to them a direct insult, and were our own sad war over, I believe there is not a town, or village, or hamlet, where a full company would not spring to arms to aid our sister republic in her glorious struggle. I give, as a sentiment in which I know all will heartily join, the "Monroe Doctrine"-"Americans can never allow the heel of European despotism to place its imprint upon the soil of our Western continent."

The Chair then said, "Let us now recognize the services of our commissariat, who have so nobly discharged their stewardship. I propose the health of the stewards. I beg Mr. John W. Hamersley to speak in their behalf." Three cheers were then given for the stewards.

Mr. Hamersley delivered an eloquent address, from which I take the following excerpts:

> "It is hardly fair, sir, to call on us while our hearts are beating with fervid thoughts, and your ears ringing with burning words. Had this toast been on the programme, one of my coadjutors would have prepared an address worthy of the compliment and the occasion. This Committee was not chosen for their gifts of utterance, but for those humbler tastes, which only lend a grace to eloquence. Our duties are æsthetic, industrial and artistic. We have compassed the ends of the earth, the depths of the sea; we have levied contributions on the four winds of heaven, to cluster here all that can tempt the appetite, or fascinate the ear and eye, and we fancied our mission accomplished.
>
> "However, there is the post-prandial law; the despotism of the wine cup, to which we all owe allegiance—the only despotism which the descendants of the Huguenots, or Pilgrim Fathers, will ever tolerate on this continent. We are here, sir, in menace to none, but firmly and respectfully, in the majesty of manhood, and in consciousness of power, to reassert a principle, imbibed with our mother's milk, a household word, a dogma of American faith; but while we cordially grasp our neighbor's hand, in the darkest hour of her trial, the grasp has due emphasis and significance.
>
> "With her, we have kindred traditions; each of us has hewn an empire from the wilderness; each of us has expelled the oppressor; and both of us, with tattered banners drenched in the gore of hero martyrs, are now appealing from treachery to the God of Battles.
>
> "We have a common future; for who can doubt that our successes and the death-knell of treason is already rung?—who can doubt that the triumph of our arms will be the signal for the eagles of Austerlitz "to change their base," from the pyramids of Puebla for their perch on the towers of Notre Dame? And permit me here, sir, to express a hope, suggested by the *season* (God grant it may be a prophecy), that the Easter chimes of Mexico, of the coming year, with the glad tidings of a Saviour risen, shall peal from sierra to sierra, from ocean to ocean, with the glad tidings of a nation risen, a nation born again. (Cheers.)
>
> "Sir [to the Chair], it is fitting, while the accents of sweet music recall tender and happy memories (man, imaged by that armed cactus; woman, by that graceful palm), it is holy to consecrate the hour to her who was "last at the cross and first at the sepulchre." I propose, sir, a toast, to which your heart's pulse will echo:
>
> 'The daughters of Mexico—Fair as her sons are brave.'"

(Enthusiastic and prolonged applause. Music—*Viva Republica.*)

THE CHAIR.

"We must not permit the modesty of our banker and steward, Mr. Clews, to outweigh our desire to hear from the Bourse."

MR. HENRY CLEWS.

MR. PRESIDENT AND GENTLEMEN—Enough has already been said, in the speeches made this evening, to indicate most conclusively the depth of sympathy which pervades this community in behalf of the cause of Mexico, and I rise to express my cordial concurrence with the sentiments which have been avowed.

The unanimous and determined voices of this company clearly show that public opinion in this country will not submit to the encroachments of foreign powers upon any portion of the territory of the continent.

The principles of free republican government are so strongly implanted in the hearts of the people both of Mexico and the United States, that they will never consent to surrender them.

"Human freedom and the rights of man make common cause between Mexico and all other American States.

"I do not utter these words in prejudice against any government. In my judgment, European nations will best promote the welfare of their own people by carefully abstaining from all interference with the declared will of those who dwell on this continent.

"The doctrine has been solemnly asserted, and will be maintained inviolate against all alliances which seek to impede the progress of liberal institutions, or to impair the strength of governments founded on the rights and intelligence of the people.

"This is the doctrine of the United States, and, under the shield of its power and influence, the safety, prosperity and independence of Mexico will be maintained and made perpetual." (Cheers.)

The meeting then separated, marching out to the inspiring strains of the Marseillaise.

A few days after this meeting the House of Representatives unanimously resolved that the United States would never consent to the establishment of a monarchy which would arise under the auspices of Europe, upon the ruins of a republic on the American continent.

The speeches at the Romero banquet, followed by this resolution, were the premonitory sounds of the death knell of Maximilian's empire, even before he took formal possession of his evanescent throne.

To show the animus of the Emperor regarding this meeting, and how closely he was watching the struggle, I may state that when the New York *Herald*, which had a full account of the meeting, arrived in Paris it was promptly seized by Napoleon's censors and shared the fate of *La Lantern* and some of Victor Hugo's most vigorous productions. It was committed to the flames on account of the speeches made by some of

our representative men. It will be seen by reference to this incident that our representatives in Wall Street were among the first to perceive this threatened danger to the nation, and that they manifested their business tact and capacity in promptly meeting it. They acted literally on the maxim of Sir Boyle Roche, that "the best way to shun danger is to meet it half way."

Wall Street men were the first to make the move that checkmated the tyrant who was ambitious to prove before the eyes of the world that Republicanism was a failure.

A volume might be written by the student of universal history, and probably will be by some future Herodotus, Macaulay, or Prescott, on the far-reaching influences of this original move on the part of the Wall Street men. There is a large field for speculative theorizing, containing much important truth in the way the Republican spirit was reflected in the political thought of Mexico, as the result of the feeling manifested at this public dinner in New York. It was undoubtedly the active precursor of the events that sealed the fate of that unfortunate cat's paw, Maximilian. It gave birth to the idea that reverberated across the Atlantic, created distrust in Napoleon's schemes of conquest as visionary with his own people, and alarmed their Teutonic foes, who urged forward those mighty preparations that culminated in the terrible overthrow at Sedan.

To the mere reader of our local newspapers the connection between cause and effect of these great events may seem far-fetched, but it is all plain sailing to the student of general history.

In this connection it would be unjust to the genius of history to omit the part which England played on the same chessboard with her former political refugee, constable and Imperial protégé. Although Mr. Disraeli has done considerable justice to the case in Endymion, he has not dealt with it from this side of the Atlantic. And I am now going to touch on some points of hitherto unwritten history.

There was a secret alliance formed between Napoleon and the British Cabinet—an international conspiracy on a large scale—to demolish the liberties of this country, pounce upon the wreck and then share the spoils between these two powerful pirates. How this was planned and subsequently averted would form, if fully written up, one of the most interesting chapters in the voluminous library of statecraft, and would take most of the political sensation out of the best efforts of Macchiavelli, Talleyrand and Prince Metternich. I can only glance at the leading features of the diabolical scheme, and show how Wall Street men were again promptly in the breach at the proper moment.

The New York riots of 1863 were fomented by British, French and Southern influence combined, as a part of the villainous plot. The design was to give our troops enough to do in quelling local riots, so that they should have no opportunity of going to the front. Southern passion was predominant, and could not discern at the time that their would-be allies were their bitterest enemies. It was hoped that the "draft riots" would

be so widespread as to afford Southern chivalry a chance to march unimpeded to Washington and capture the Capitol, when the allied foes of liberty, by virtue of their *entente cordiale*, should seize upon their prey.

Everything was in readiness for raising the blockade and pouring in armaments from Europe to complete the conquest. England had acted with more caution than Napoleon, and was slow to move, though he was constantly urging her forward. It is due to the villainy of his great conception to state, that, had he been able to move his more sluggish ally in crime with greater celerity, the result might have been overwhelmingly disastrous to this country.

CHAPTER VIII

FOREIGN INTRIGUES AGAINST AMERICAN LIBERTY.

How the Imperial Pirates of France and England Were Frightened Off Through the Diplomacy of Seward.—Ominous Appearance of the Russian Fleet in American Waters.—Napoleon Aims at the Creation of an Empire West of the Mississippi, and the Restoration of the Old French Colonies.—Plotting With Slidell, Benjamin, Lindsay, Roebuck and Others.—Urging England to Recognize the Confederacy.—Disraeli Explains England's Designs and Diplomacy.—After the Naval Victory of Farragut, and the Capture of New Orleans England Hesitates Through Fear, and Napoleon Changes His Tactics.—Renewal of Intrigues Between England and France.—Their Dastardly Purposes Defeated by the Victories of Gettysburg, Vicksburg, and the General Triumph of the Union Arms.

While the events related in the previous chapter were progressing apparently towards a result that might have proved disastrous to the dearly purchased liberties of this country, the nation was saved by taking advantage of a circumstance that was peculiarly providential to the Union. The Russian fleet happened to be in South American waters at the time. Secretary Seward was apprised of the fact by a Wall Street man. He was quick to act on the suggestion. Alexis, the brother of the Emperor, was in command of the fleet. Seward sent him a friendly invitation, which he instantly accepted. The spies of Napoleon and of Scotland Yard, who were always on the alert, and who always discerned the evil side of everything, promptly informed their employers of the fact. The conclusion was manifest to European statesmen, who, unlike Wall Street men, never "copper" the points given by spies. It seemed to them clearly an alliance between the Great Empire and the Great Republic. Extremes had met for mutual defence and safety probably for aggressive purposes. The conspirators were frightened with their own shadows and foiled by their own cowardice, and an apparently imminent calamity was thus simply averted.

As the designs of the two great European powers were craftily concealed through their evasive system of diplomacy, it has frequently been a subject of debate as to whether they meant to take the part of the Confederacy for the purpose of dissolving the

Union. It is necessary, therefore, to produce some tangible evidence of the intentions of these foreign potentates in the hour of our country's greatest peril.

The Confederate records purchased by the Government some years ago throw a ghastly light on this subject, and gravely warn us of the Scriptural injunction, to put no trust in kings and rulers.

The correspondence between the officials of the Confederacy and the Confederate Commissioners, Slidell and Mason, at Paris and London, prove to a demonstration that the ruler of France and the rulers of Great Britain were making preparations on a large scale to take charge of this country as soon as the Union, through their diplomatic aid, should be dissolved. Letters from other representatives of the Confederates of Europe go to corroborate this view of the matter. The correspondence between Dudley, Post, Mann and Lamar, who were commissioners in various parts of Europe, and Judah P. Benjamin, the Confederate Secretary of State, is conclusive on the subject of European armed intervention, which has hitherto formed a topic of dispute in the historic circles of the Civil War.

The correspondence of Slidell, who was on familiar relations with the Emperor of the French, gives the inside history of the intrigues of that potentate in such clear terms, that there can be no doubt of his intentions towards this country.

Had it not been for the superior vigilance of Mr. Dayton, the United States Minister at Paris, several privateers would have been launched from French ports to prey upon the commerce of the United States, and to do similar work to that for which the Alabama was fitted out.

It would seem from the correspondence that the managers of the affairs of Great Britain were not so anxious to encourage the South as Napoleon was; at least they succeeded in concealing their purpose better. The practical diplomacy of England in this affair was superior to that of France, though the latter has still held the palm for possessing better diplomatic plotters, who are supposed to have no superiors outside the royal associations of the reigning power of Russia.

There is no doubt, however, that Napoleon was anxious to take positive steps to recognize the South, while professing the most friendly feelings in favor of the North, but he was afraid to act except in unison with Great Britain, and he failed to bring her to time until the favorable moment for the execution of his plans had passed.

Slidell and Mason went to Europe in January, 1862. This was perhaps the darkest and most critical period for the cause of the Union during the great struggle. The Commissioners carried letters with them showing the inefficiency of the blockade of the Southern ports, the great disadvantages and losses suffered by England and France through cutting off the cotton supplies, and setting forth the enormous advantages that

would result if free trade with the Confederacy were established. These were strong arguments to arouse the spirit of commercial selfishness in favor of the South.

The ambitious designs of Napoleon were of a very towering and extensive character. He not only expected to recover Louisiana, which his uncle in an hour of necessity had sold to the United States, but he aimed at the restoration of the entire old colonial empire of France on this continent.

The Emperor was thoroughly posted in the affairs of this country. It seems that while he had resided in a small room in Hoboken, and took his meals at a twenty-five cent restaurant, paying for them with money borrowed from French patriots, on the very slim prospect of reaching the throne of France, he made the best use of his time, and he had studied the history and geography of the United States and Canada with great care and accuracy.

In justice to his character for gratitude, however, it must be said, in passing, that, like young "Corneel" Vanderbilt, he paid all the money he borrowed, and placed some of his New York and Hoboken creditors in good positions at the Tuileries, under the Second Empire. He never forgot a favor nor forgave an injury.

The Emperor's knowledge of American affairs, as well as his ambitious designs, were briefly, but at the same time very fully disclosed, in conversation with Mr. Benjamin, at the Villa Eugenie, at Biarritz. "He turned with peculiar and undisguised eagerness," said Mr. Benjamin, "to the Mexican question. He knew the very number of guns on the Morro, the sums the United States had spent on the fortifications in Florida, the exports and imports of Galveston and Matamoras, in fact everything which well informed local agents could have reported to an experienced statesman eager for information. He examined me again on Texas and its population, the disposition of the French residents, the tendencies of the German colonists, the feeling on the Mexican frontier. He observed that Louisiana was nothing but French at the bottom. I was fully persuaded that he proposed to seek in Mexico a compensation for the lost colonies in the West Indies, which, he said, could not be recovered, '*sans nous brouiller avec nòs allies*,' (without embroiling us with our allies). He insisted upon it that France must, sooner or later, have a foothold (*pied à terre*) on the Florida coast, for the purpose of protecting her commerce in the Gulf, for, he added, '*Nous ne voulons pas d'un autre Gibraltar de ce côté là*,' (we don't want another Gibraltar on that side.")

Mr. Slidell's predecessor at Paris, Mr. Rost, had received assurance from the Duc de Morny, who was then next to the Emperor in his knowledge of State affairs, that the South would be recognized. It was only a question of time. After consulting with M. Thouvenel, Minister of Foreign Affairs; Persigny, Minister of the Interior; Fould, Minister of Finance; Rouher, Minister of Commerce; Baroche, President of the Council of State; Mocquard, Private Secretary of the Emperor; Count Walewski, De Morny and

others, Slidell was satisfied that the Emperor was all right, and he wrote to Jeff. Davis & Co. as follows:

> "The Emperor has invited the English Government to join with him in recognizing the South, but the English Government, owing to Earl Russell, has refused to act simultaneously with him."

This statement of Slidell was true in one sense, but it was not strictly and diplomatically correct. There is no doubt that the English Government would have been anxious enough to join the Emperor in any scheme of conquest and spoliation that had a fair promise of success, and an average chance of avenging the Boston Tea Party and the Battle of Bunker Hill, but both powers were playing at the game of diplomacy, each for the purpose of making the other responsible for taking the initiative in the recognition of the South. They were both very circumspect about committing themselves, and the Palmerston-Russell Cabinet, with that caution which always characterized old "Pam" in foreign affairs, would not recognize any suggestion from the Emperor that did not bear his signature. The Emperor thought to make use of a Mr. Lindsay, a wealthy shipowner and member of Parliament, to draw out the English Government, but the latter was not to be committed to any course of policy that might involve important responsibilities in the future through any second-hand authority.

The Emperor seemed to have opened his mind very freely to Mr. Lindsay. He told him that he would have taken steps to put an end to the blockade of the Southern ports if the English Ministry had intimated a willingness to act with him. He said he had forwarded intimation to this effect through Mr. Thouvenel, but had not received a satisfactory answer. He intimated that if England was ready, he was, and was prepared at once to despatch a formidable fleet to the Mississippi, on condition that England should send an equal force to demand free ingress and egress for their merchantmen, and for the cargoes of goods and supplies of cotton which were necessary to carry on the commerce of the world.

Napoleon was resolved to act, as he had always done, on the high ground of conferring universal favors on humanity.

This was an old trick in his family, but it did not work effectually this time. He said he had regarded the restoration of the Union impossible from the first, and for that reason had deprecated the continuance of the bloody contest, which could not lead to any other result than separation. He authorized Mr. Lindsay to make this statement to Lord Cowley, and to ascertain whether he would recommend the course indicated to his Government.

It is very refreshing to reflect on the sensitive exhibition of feeling displayed, in his ostensible attempt to stop the carnage and fratricidal strife, by the man who planned and directed the wholesale assassinations in connection with the sanguinary *Coup d'Etat*.

Mr. Lindsay reported back to the Emperor the substance of his interview with Lord Cowley, who said that the English Government was not prepared to act until further developments. It was about this time that Mr. Seward was getting *in* his fine diplomatic work with Earl Russell and Palmerston, which helped materially to upset the calculations of the Emperor.

Napoleon then requested Mr. Lindsay to see Palmerston, Russell, Derby and Mr. Disraeli, and to gather their intentions. He desired Mr. Lindsay to do all this of his own motion, and not as coming from him, and said he did not wish to be embarrassed by the forms and delays of ordinary diplomacy, because he felt the necessity of immediate action.

Lindsay again saw Earl Russell, as the accredited and special ambassador of the Emperor, *viva voce*. The Earl informed him that he could not receive any communications from a foreign power, except through the regular diplomatic channel. He then sought an interview with Mr. Disraeli, who was much more affable and communicative than the little Lord who stood so punctiliously on ministerial ceremony.

Disraeli threw considerable light on the subject. After expressing a deep interest in the affairs of the Confederacy, and saying that he fully concurred in the views of the Emperor, he told Mr. Lindsay that he had good reasons for believing that a secret understanding existed between Earl Russell and Mr. Seward; that England, in the meantime, would respect the Federal blockade and withhold recognition of the South. "But if France should take the initiative," said Mr. Disraeli in conclusion, "any course she may adopt to put an end to the present state of affairs will undoubtedly be supported by a large majority in Parliament, and knowing this, Lord Russell will give a reluctant assent to this, to avoid a change of ministry, which would otherwise certainly follow."

This shows that Disraeli saw very clearly through the duplicity of English diplomacy, and that while England was profuse in her promises to Mr. Seward, she was only waiting for the Emperor to act as pioneer in order that she might have a safe opportunity as well as a plausible pretext for armed intervention.

The Emperor complained that Earl Russell had divulged his views on American affairs, as expressed through his ambassador, to Mr. Seward. Lord Russell placed himself squarely on the "fence," to be prepared for any emergency. Finally, about the middle of April, the Emperor thought it would be best that he himself should make a friendly appeal to the Federal Government alone to open the ports, if England did not join him, without further hesitation. He thought it would be necessary, however, to accompany the appeal with a demonstration of force on the Southern coasts; and if the appeal should be effective, to back it up by a declaration of his purpose not to respect the blockade. He determined, however, to wait a few days longer to see how England would act.

This resolution of the Emperor to make a friendly appeal to raise the blockade was only a thin excuse to find a cause for quarrel with the North, and it is very probable he would have acted on this determination alone, but for an unexpected event which changed his projects, and the apparent course of history.

About a week after this diplomatic conference, Commodores D. G. Farragut, and D. D. Porter, with their able commanders Bailey and Bell, had made the famous passage of forts Jackson and St. Philip, at the mouth of the Mississippi, with the United States squadron, silenced the Chalmette batteries and anchored in the harbor of New Orleans. After two days' parleying the city surrendered at discretion, or rather, the city authorities passively and sullenly permitted Farragut, and afterwards General Butler, to take possession of the city without shedding any blood.

This great naval victory of Farragut's squadron and its consequences dampened the ardor of the Emperor. He saw the chances of backing up his "friendly appeal" by a demonstration of force, were cut off, so far as New Orleans and the forts of the Mississippi were concerned.

Yet, Napoleon did not totally relinquish the enterprise, on account of this crushing defeat of the Confederacy. M. Billault, a prominent member of Napoleon's cabinet, after this event said to Slidell, "The cabinet, with the probable exception of M. Thouvenel, are in favor of the South. If New Orleans had not fallen, our recognition could not have been long delayed, but if the Confederates should obtain successes in Virginia and Tennessee, and hold the enemy at bay a month or two longer, we may see an opportunity for intervention."

The Emperor's intentions, however, were fully revealed in an autograph letter to General Forey, which was written in July and in which his grasping ambition stood out in the boldest relief. He wrote: "In the present state of civilization of the world, the prosperity of America is not a subject of indifference to Europe, for she nourishes our manufactures and gives life to our commerce. We are interested in having the Republic of the United States a powerful and prosperous power, but we are not willing to have that Republic take possession of the entire Gulf of Mexico, command from there the Antilles as well as South America, and monopolize the distribution of the products of the New World. To prevent this, a stable Government must be established in Mexico, and we will in that event have restored to the Latin race on the other side of the Atlantic its power and prestige."

Napoleon completely overdid the thing in this letter to General Forey. The vaulting ambition which overleaps itself and falls on the other side stuck out too plainly. He showed that he wanted the whole earth, and this aroused the resentment of the South. In the following August, M. Theron, a French consul in Texas, inspired by Napoleonic ideas of annexation, coolly contemplated the transformation of Texas to a French republic, and confided his project to Governor Lubbock of that State, who apprised

Jefferson Davis of the consul's aspirations. This was too much even for the Confederate Government, and M. Theron and the French consul at Richmond were both politely requested to leave the Confederate States.

Napoleon persisted in his intrigues for the purpose of getting a foothold in this country, in spite of the rebuff which his officious consuls had received from the Confederacy. He expressed himself desirous of interesting some of the rest of the European powers in the cause of the South, and again entered into confidence with Slidell on the possibility of joint mediation on the part of England, France and Russia. "My own preference," said the Emperor, "is for a proposition for an armistice for six months, with the Southern ports open to the commerce of the world. This would put a stop to the effusion of blood" (How tender-hearted he was!) "and hostilities would probably never be resumed. We can urge it," he added, "on the high grounds of humanity, and the interests of the whole civilized world. If it be refused by the North, it will afford good reason for recognition, and perhaps for more active intervention."

Mr. Slidell then suggested that if the Emperor would give some kind of assurance that the police would not interfere, ships and munitions of war might be sent from France to the Confederacy.

"Why could you not have the ships built as if for the Italian Government?" suggested the Emperor. "I do not think it would be difficult, but I will consult my ministers about it."

Napoleon then suggested the joint appeal for the six months' armistice to England and Russia, which was declined by both. He then made a direct offer of mediation to the United States Government, in the most friendly terms, and on the "high grounds of humanity."

The United States Government did not see it in this light, and rejected Napoleon's humane offer.

The Confederate agents then obtained power to build ships of war in French ports, and to arm and equip them, and proceed to sea without molestation from the French authorities, the Treaty of Paris forbidding such a hostile act against a friendly power like the North to the contrary notwithstanding. The despot of France imagined himself above all treaties at that time.

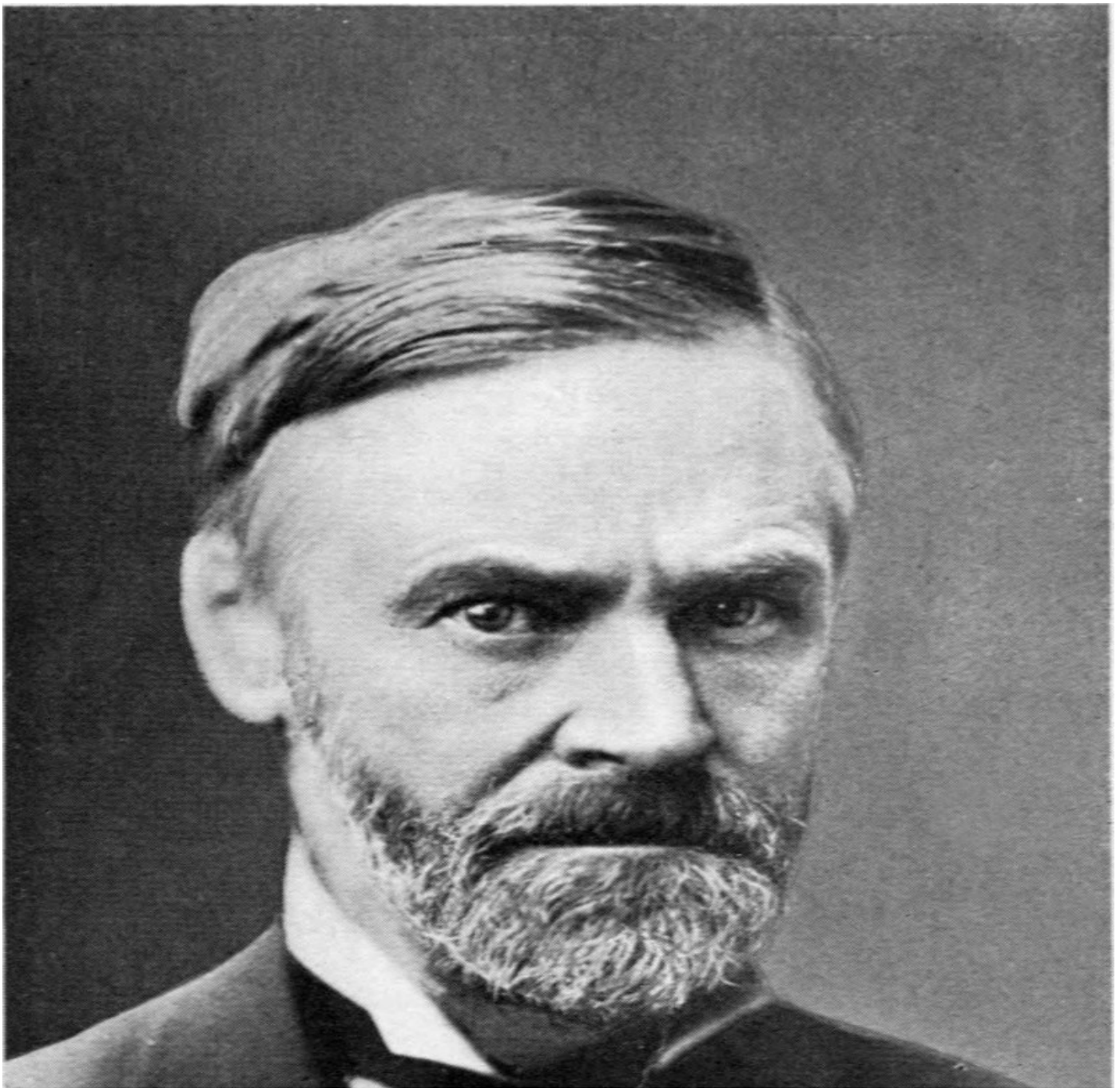
The English Alabama was then cruising in a most successful manner. The Emperor had a conference with Mr. Arman, a large shipbuilder, and assured him that there would be no difficulty about building the ships for the Confederates under the disguise of their Italian destination. Accordingly, a contract was made for building five ships of war at Bordeaux and Nantes, and afterwards another contract for three iron-clad rams.

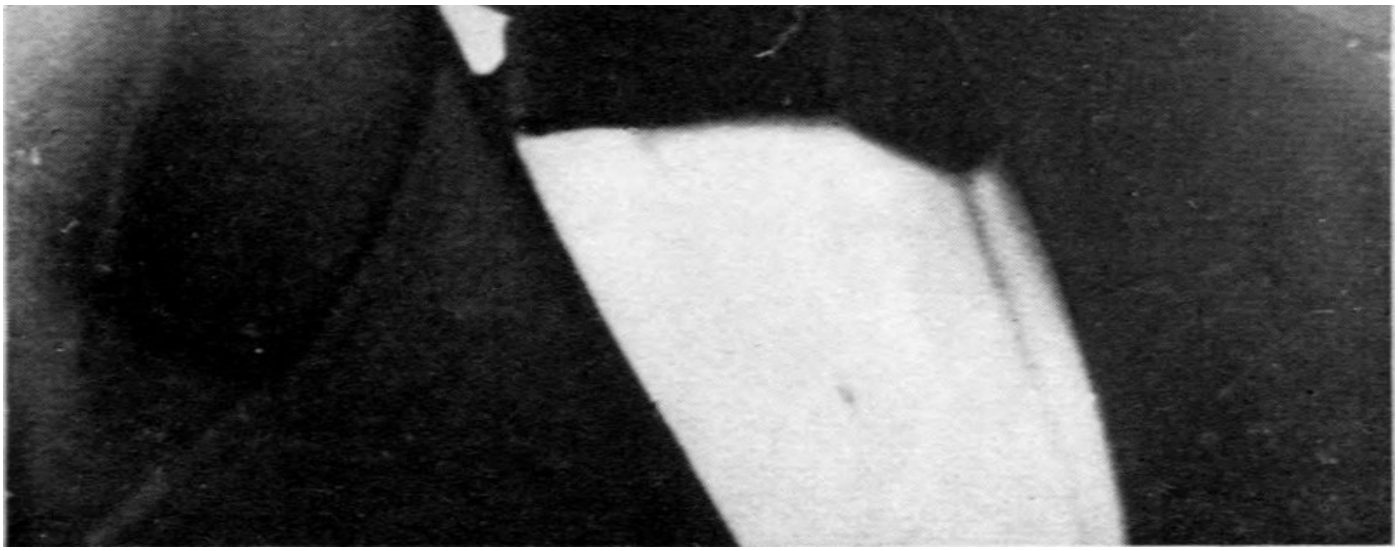
In 1863 the Emperor had a great deal of business on hand, but was still convinced, amid all his diplomatic duties that the South should be recognized by the European powers. He was afraid, however, of putting his Mexican expedition in jeopardy by risking a rupture with the North. Finally, he said: "I will make a direct proposition to England for joint recognition. This will effectually prevent Lord Palmerston from misrepresenting my position and wishes on the American question." Accordingly, he had an interview with those two worthy members of Parliament, Messrs. Roebuck and Lindsay, at Fontainebleau, which was said to be highly satisfactory. He authorized them to state in the House of Commons that he was both willing and anxious to recognize the Confederate States, with the co-operation of England.

There was a great debate in Parliament on the subject, in the midst of which Earl Russell arose and said that Baron Gros, the French Minister, had received no communication from his Government on American affairs. Mr. Roebuck, who made the motion on the authority of the Emperor, was astonished that he had been so badly fooled. It still remains a mystery, however, why Baron Gros did not receive the advice in question from the Emperor, because M. Mocquard, the Emperor's Secretary, wrote to Slidell as follows: "On the next day after the interview of Messrs. Roebuck and Lindsay with the Emperor, the Minister of Foreign Affairs telegraphed Baron Gros to 'officiously' inform Lord Palmerston that, should Great Britain be willing to recognize the South, the Emperor would be willing to follow her in that way."

The only explanation that seems plausible under these circumstances is, that the Palmerston-Russell Cabinet interrupted this telegram to Baron Gros for diplomatic purposes, or that the Baron, seeing that the debate in Parliament had taken an unfavorable turn, had prudently resolved to suppress the advice from Napoleon, in order that his master might not commit himself while England was not heart and soul with him in the enterprise. In fact, England had begun to see that she had taken a false position, and Mr. Gladstone's eloquent spurt, to the effect that "Jefferson Davis had created a nation," was no longer the diplomatic faith of England. She was more influenced by fear than love, as she always is, and had begun to think, after the capture of New Orleans and the destruction of the Confederate fleet, that the Federal Government was capable of organizing a formidable navy. The London *Times*, which voiced diplomatic sentiment then, said so. During this very debate on Roebuck's motion, Lee's army had been beaten at Gettysburg, Vicksburg had surrendered and victory was beginning to perch on the Northern banners everywhere. Napoleon also drew in his horns, complaining bitterly that "perfidious Albion" had gone back on him, and he was afraid to permit the war ships, when finished, to leave the French ports for any destination, and when he permitted the English privateer, the Rappahannock, to depart, it was under the injunction that the American minister should know nothing about it.

What Lord Palmerston called a "concatenation of circumstances" contributed largely to force the Emperor to change his policy towards the United States. Maximilian's Mexican expedition was exceedingly unpopular, trouble was brewing in several parts of the continent, and Bismarck and Von Moltke were cunningly and deliberately weaving that net in which the Man of Destiny, seven years later, was hopelessly entangled at Sedan. His dream of a French American Empire beyond the Mississippi had vanished long before his last abject act of humiliation in surrendering the sword of France to Bismarck. And ere he died, a miserable wreck of disappointed ambition, again a political exile, he had the opportunity of seeing our own Republic, which he sought to destroy, rehabilitated, and on its way to become the greatest nation in history.





THE HON. JOHN SHERMAN,

Who has taken a prominent part in financial matters since the beginning of the war, first in making treasury notes a legal tender in 1862; in proposing the Redemption Act in 1867, which was passed in 1870, and in the resumption of specie payments in 1879, which was the crowning success of the financial policy which established the Government credit on a solid basis.

CHAPTER IX.

SECRETARY CHASE AND THE TREASURY.

The Depleted Condition of the Treasury when Mr. Chase took Office.—Preparations for War and Great Excitement in Washington.—Chivalrous Southerners in a Ferment.—Officials Up in Arms in Defence of their Menaced Positions.—Miscalculation with Regard to the Probable Duration of the War.—A Visit to Washington and an Interview with Secretary Chase.—Disappointment about the Sale of Government Bonds.—A Panic Precipitated in Wall Street.—Millionaires Reduced to Indigence in a Few Hours.—Miraculously Saved from the Wreck.—How it Happened.

Soon after Mr. Chase came into the Treasury he found that money was seriously needed. In fact the Treasury was empty. The expenditure for the fiscal year ending June, 1861, was 62 millions, and there were only 41 millions of revenue to meet them, and even this amount was threatened with a serious reduction on account of the traitorous and rebellious attitude of the South.

After President Lincoln had called upon Congress to provide for the enlistment of 400,000 men, the expenses of the Government were soon advanced to the enormous amount of a million dollars a day. The Secretary of the Treasury made a calculation, which he submitted to the President, showing that the probable expenditures would amount to 318 millions for the ensuing year. He advised that 80 millions be provided for by taxation, 240 millions by loan, and that 50 millions of Treasury notes, redeemable in coin on demand, should be issued.

The Secretary was authorized by Congress to borrow a sum not exceeding 250 millions, on the credit of the United States, and as a part of this loan he was, in the words of the Act, "to issue in exchange for coin, or pay for salaries or other dues from the United States, not over 50 millions of Treasury notes, bearing no interest, but payable on demand at New York, Philadelphia or Boston."

When Mr. Chase advertised for bids on the bonds known as the 81 issue all bids at 94 and above were accepted, and those under 94 were rejected.

I got up a syndicate immediately to take the entire balance of the loan at 94, and went on to Washington to see the Secretary. This syndicate comprised a number of New York

banks and many large capitalists. I called upon Secretary Chase when I arrived, informed him of the object of my visit and made him an offer of 94 for the entire balance of the loan.

He was in favor of the proposition, but requested me to leave the matter open until the following morning for him to consider. It was a question with him whether he ought not to give those whose bids had been rejected an equal opportunity with the parties I represented.

I never can forget the impression I received on my approach to Washington that morning. As I looked through the window of the sleeping-car my eye was met by an entire train load of brass cannon. There were at least a dozen platform cars, each having one of those huge guns, all apparently in order to wheel at once against the enemy. I shall always remember the feelings that came over me at that moment. The question of war or no war was vividly presented to my mind, and this was the uppermost thought during my visit at Washington.

I descended from my traveling quarters as soon as the train was announced as having arrived at the capital, and repaired to Willard's, then the principal, if not, in fact, the only hotel for a traveler to go to, and it was an old-fashioned, historic hostelry. I hastened to my room, rapidly performed my ablutions, and then found my way into the dingy breakfast room. On inquiry, I found that ten o'clock was the usual hour for heads of departments, including Mr. Chase, to be at the Treasury. At that hour I went to see him. I sent in my card and was ushered into his presence without delay. He was a man of portly frame and distinguished bearing, and impressed me with the feeling of being in the presence of an individual far above the average standard of humanity in every respect.

I informed the Secretary of my mission, with the result above stated.

About seven-eighths of the people of Washington, at that time, were Southerners. The office-holders were largely composed of the latter, and they were expecting to be suddenly turned out of office. This rendered the place a boiling caldron of conspiracy and treason.

As I went around collecting information, the sight of those cannon that at first had made such an indescribable impression upon me, continued to haunt my vision wherever I went. The air was filled with rumors of war, and everybody was wound up to the highest pitch of hostile excitement.

As I mingled among the people, the impression was forced upon me that war was inevitable, and that up to the very hilt of the sword. I felt that the contest would be long and bloody.

I sent a dispatch to my firm in New York, conveying my impressions to that effect, and advised them to clear the decks in preparation therefor. I urged them to lose no time in selling off all the mercantile paper on hand, and requested them to communicate to the members of the syndicate, which I had formed for the purchase of bonds, recommending them to withdraw therefrom, as I was convinced that war to the knife was imminent, and that Government bonds must have a serious fall in price in consequence.

I saw Mr. Chase the next morning, and told him that, as I believed, there was going to be a long and bloody war, I could not conscientiously, in the interest of my clients, renew my bid of the previous day.

With regard to my opinion about the probable length of the war, the Secretary took issue with me very firmly.

Mr. Chase, however, afterwards proved to be a warm and most valued friend of mine, and it was largely due to his aid and recognition that I achieved brilliant success in my early Wall Street career during the war period.

The Secretary was of opinion that the bonds should command par, at least, and they would be worth that and above it very soon, he thought. He made this assertion on the expectation that the impending difficulties would soon be adjusted, and that in less than sixty days all the trouble would be at an end.

It was not so extraordinary as it may seem to some people now, with the light of later events fully before them, that the Secretary was so sanguine of short work being made of the South, because he only shared the opinion of a large number of people, who greatly underestimated Southern durability.

After leaving the Secretary, who treated me with great consideration, as he did every one in his inimitable and dignified manner, which made such a durable and favorable impression on all who came in contact with him, I felt greatly pleased and highly gratified at meeting him. In fact, his fine, magnetic presence was of a character to command the admiration of almost every person who had the honor of an interview. He was a great man for producing good first impressions, and, unlike many impressions of this character they were generally lasting.

Had I not visited Washington at the time I did, and had I not obtained the correct impression concerning the future of the then impending difficulties, my firm, like many others that invested in Government bonds, mercantile paper, stocks and other fluctuating properties, would have been irretrievably ruined. I have reason to congratulate myself, therefore, on my good fortune in narrowly escaping such a disaster, almost at the beginning of my Wall Street career, as I was thus enabled, at a later stage of the national trouble, to be of considerable service to the Government, through the Treasury, in its efforts to sustain such an army in the field as was calculated to ensure success to the Federal arms.

My first experience in dealing in Government bonds was just prior to the Lincoln administration, when Mr. Cobb was Secretary of the Treasury. He advertised for sale to the highest bidders an issue of U. S. bonds bearing five per cent. interest, having twenty years to run, and my firm bid for $200,000 of them, hoping to make a quick turn, and a small profit thereon. A five per cent. deposit was made, as required by custom.

The loan was all awarded to most of the bids, mine included, and a very large part of it was awarded to Lockwood & Co., who were then regarded the largest and most prosperous Stock Exchange firm in the street.

George S. Robbins & Co., John Thompson, Marie & Kans, and a few others, whose names I now forget, made also large bids.

Of those mentioned, however, my firm stood alone in taking up the bonds, as the threatening aspect of political affairs came on so soon afterwards as to depreciate Government securities. The original deposit of five per cent. was lost by these subscribers, and the bonds were permitted to remain in *statu quo*, as the Government never forced the claim against the delinquents.

This, in a large measure, accounted for the impoverished condition of the Treasury when Mr. Chase took charge of it, and for which Mr. Cobb has been made an object, not wholly undeserving, of public reproach.

The $200,000 bonds my firm subscribed for at par were sold mostly at 95 and below, but the fact of taking them, and meeting the subscription, without fail, gave my firm an excellent standing with the Government at the beginning of the war, and enured greatly to my firm's advantage thereafter.

At the time I visited Washington my firm was more largely engaged in dealing in mercantile paper than any other branch of Wall Street business.

I had inaugurated the system at the time of my advent to the "Street" of buying merchants' acceptances and receivables out and out, the rate being governed by the prevailing ruling rate for money, with the usual commission added.

It was by this method that my firm soon became the largest dealers in mercantile paper, which business had formerly been controlled by two other firms for at least a quarter of a century, and whose old fogy methods were by my innovations easily eclipsed.

The merchants at that time would go to these discount firms and leave their receivables, bearing their endorsements, on sale there, and only when sold by piecemeal could they obtain the avails thereof.

The more expeditious plan that I adopted, which was to give these negotiators a check at sight, seemed generally to merit their approbation, and enabled me to command

the situation in that line of business, very much to the chagrin of my competitors.

In this way my firm had accumulated about five hundred thousand dollars in notes, which were hypothecated with various city and country banks.

After coming to the conclusion above referred to on my visit to Washington, in regard to the certainty of a prolonged and desperate war, I made quick steps back to New York to dispose of my paper. I went vigorously to work, and succeeded in unloading all but ten thousand dollars of short time notes made by Lane, Boyce & Co., and a note of $500 of Edward Lambert & Co.

I had no sooner accomplished this very desirable work of shifting my burden, and distributing it in a more equable manner on the shoulders of others, but at higher rates than I paid, than in less than a week after my return from Washington the exciting news arrived of the firing of the first hostile gun at Fort Sumter.

The announcement of this overt act of war spread like wildfire, and the wildest scenes of excitement and consternation were witnessed in Wall Street and throughout the entire business community. The whole country was panic stricken in an instant.

Stocks went down with a bound to panic prices. Fortunes were lost, and millionaires were reduced to indigence in a few hours. Money was unobtainable, and distrust everywhere was prevalent.

The two firms whose paper I was unable to dispose of were about the first to fail, and before the maturity of any of the balance of the paper which I had successfully negotiated both the drawers and endorsers thereon, without a single exception, all collapsed.

The height which Gilroy's kite attained would have been nowhere in point of altitude to that which I should have reached had I not had the good luck to have cleared my decks as I did, and in the nick of time.

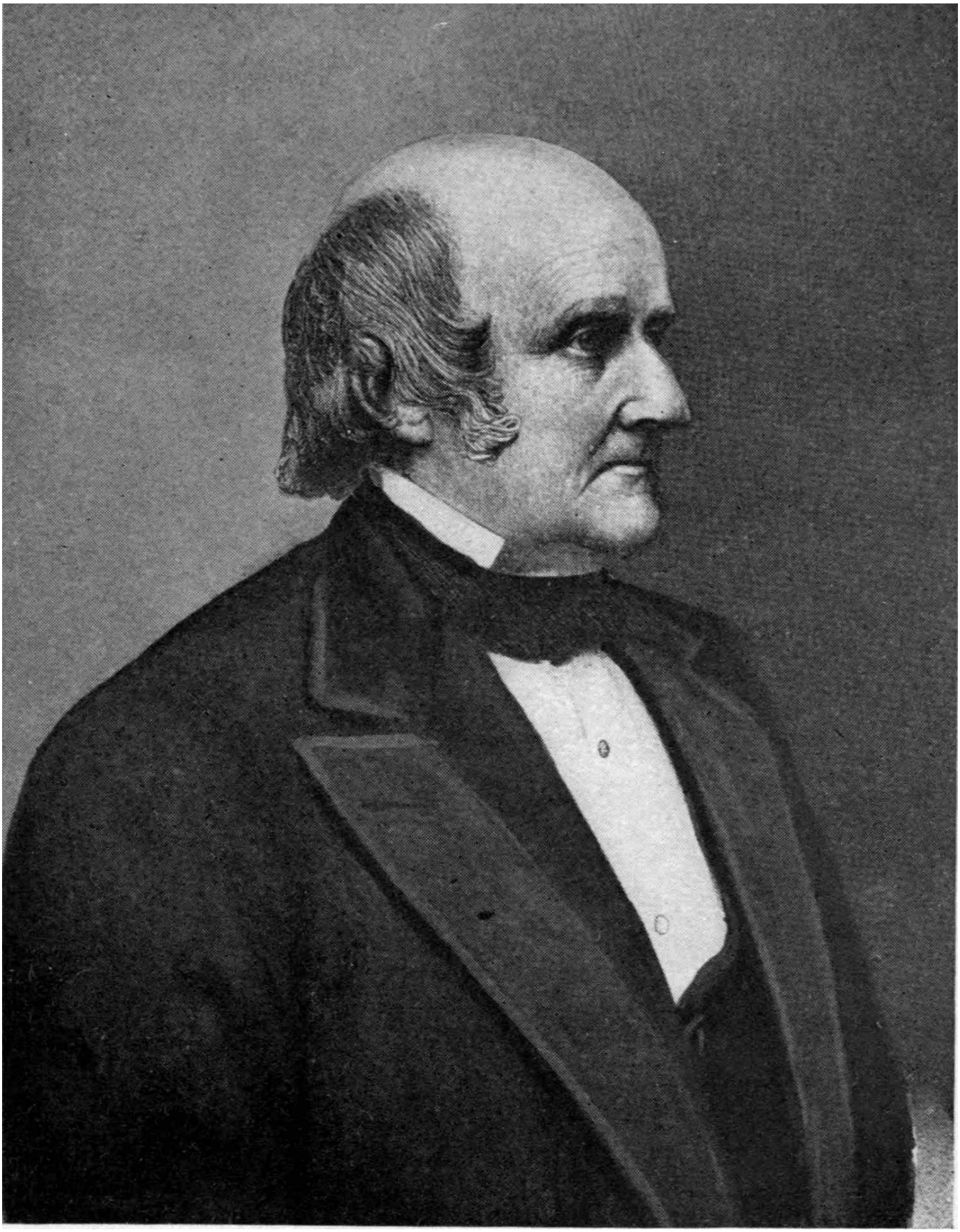
My safety in this instance was due to my inspiration, to which I believe myself more indebted than anything else for the privilege of remaining in Wall Street up to the present date.

I am no spiritualist nor theosophist, but this gift or occasional visitation of Providence, or whatever people may choose to call it, to which I am subject at intervals, has enabled me to take "points" on the market in at one ear and dispose of them through the other without suffering any evil consequences therefrom, and to look upon these kind friends who usually strew these valuable "tips" so lavishly around with the deepest commiseration. My ability to do this, whatever may be its source, whether human or divine, has saved me from being financially shattered at least two or three times annually.

I do not indulge in any table tapping or dark seances like the elder Vanderbilt, but this strange, peculiar and admonitory influence clings to me in times of approaching squalls more tenaciously than at any ordinary junctures.

I have known others who have had these mysterious forebodings, but who recklessly disregarded them, and this has been the rock on which they have split in speculative emergencies.

Therefore I say again, beware of "points." They constitute the *ignis fatuus* which lure more unfortunate speculators to their financial doom than all other influences put together.



HON. ELBRIDGE GERRY SPAULDING,

Author of the Legal Tender Act, which authorized the issue of greenbacks in 1862. He was a member of Congress from New York. He resides at Buffalo, and is now in the eightieth year of his age, but still in good physical health, with his mind clear and vigorous.

CHAPTER X.

THE NATIONAL BANKS.

Secretary Chase Considers the Problem of Providing a National Currency.—How E. G. Spaulding takes a Prominent Part in the Discussion on the Bank Act.—The Act Founded on the Bank Act of the State of New York.—Effect of the Act upon the Credit of the Country.—A New System of Banking Required.

The history of the Bank Act of 1863, improved by the Act of 1864, would require much larger space than I can devote to it in this book. I can only glance at its salient points, and show its great influence, not only on the finances of the country, but upon the destiny of the nation itself.

The Hon. E. G. Spaulding, who was one of the most prominent men in dealing with the financial questions of that period, has written and preserved a very full history of the legislation on the subject, and of the interesting debates which preceded it.

After the temporary loans had been negotiated to release the pressure upon the Government, Secretary Chase set his mind to consider the problem of providing a currency without disturbing the business organization of the country.

At this period he was met by a fresh difficulty, in the suspension of specie payments, which had been hastened by the arrest of Mason and Slidell, which, but for the wise policy of Mr. Seward, would have precipitated a conflict with Great Britain.

Early in 1862 Congress authorized ten million more of demand notes. This was followed by further issues, making in all 300 million United States notes. Secretary Chase was at first opposed to making these notes a legal tender for private debts, but in order to get the bill through, he agreed to the legal tender clause, as the Government was greatly in need of money.

The Secretary was also empowered by Congress to borrow 500 million dollars on 5-20 year 6 per cent. bonds, and also to obtain a temporary loan of 100 millions on condition that the interest on the bonds should be paid in coin, and that the customs should be collected in coin for that purpose.

The first bill to provide a national currency secured by a pledge of United States bonds was introduced by Mr. Hooper, in July, 1862, but it was not reported from the Committee to which it had been sent. At the meeting of Congress in December the same year the financial problem had become still more complicated, and owing to the magnitude which the war had then assumed, the expenses amounted to two millions a day.

The total receipts for the fiscal year ending June 30, 1863, were 511 millions, and the expenditures were 788 millions, thus leaving a deficit of 277 millions.

All the financial wisdom of the Secretary was necessary in this dilemma. The question was whether to provide for these 277 millions by a fresh issue of United States notes, or by interest-bearing loans.

The Secretary was opposed to increase the volume of the currency, saying that the result would be the inflation of prices, increase of expenditures, augmentation of debt, and ultimately disastrous defeat of the very purposes sought to be attained by it.

He was in favor of an increase in the amount authorized to be borrowed on the 5-20 bonds. He advised the creation of banking associations which should secure their circulation by a deposit of Government bonds. One object of this was to create a market for the bonds.

Congress was not in favor of this proposition, and the bill of Mr. Hooper was again offered in the following January, but was adversely reported from the Committee on Ways and Means.

Another new issue of 100 millions United States notes was ordered on motion of Mr. Stevens, of Pennsylvania, to meet the constantly increasing needs of the army and navy.

Mr. Lincoln signed the joint resolution ordering the new issue with some reluctance, and sent a special message to the House, in which he expressed his regret that it was necessary to add this last amount to the currency while the suspended banks were free to increase their circulation.

Soon after this Senator Sherman offered a bill to provide a national currency, somewhat after the model of Mr. Hooper's bill. The Sherman bill was passed before the end of February. This virtually secured the present national banking system.

In order to show more clearly the nature of the national bank legislation, and the prominent part taken by Mr. Spaulding and a few others therein, Mr. Chase having been the directing mind, it is necessary to make a brief resume of the action of Congress with the State banks in this connection.

In January, 1862, the banks applied to Secretary Chase to receive their notes in payment for the bonds which he had for sale, but the Secretary, thinking that this would

inflate the bank currency, refused the offer. Yet the process of inflation went on until it increased from 130 to 167 millions.

When Mr. Spaulding advocated the National Bank Act on the ground that it would provide a permanently improved bank currency, the Hon. Roscoe Conkling, at that time in the lower House, opposed the policy of making war upon the twelve hundred banks in the free States, and made a very affecting appeal for the orphans and widows who had stock therein. He proposed to issue 260 millions of seven per cent. bonds, payable in thirty-one years, to be exchanged for the bills of the suspended banks of New York, Philadelphia and Boston, and also to issue 200 millions of United States notes, payable in coin in a year. Mr. Conkling's scheme was assailed by Mr. Bingham, of Ohio, on the ground that it would subject the national currency to the mercy of city bankers and brokers. Other eminent representatives stood up for the maintenance and integrity of the State banks, and notably Mr. Conkling opposed the measure vigorously, which was intended to tax the State banks out of existence.

Mr. Spaulding, who advocated the bill, was followed by Mr. Fenton in an able argument, showing the superiority of a currency secured by United States bonds, and Senator Sherman explained the great evil occasioned by the success attending the counterfeiting of the State bank notes.

These arguments seemed to be conclusive and overwhelming in the passage of the bill.

It must not be forgotten, to the honor of the State of New York, that the National Bank Act was founded on the Banking act of this State, whose chief features were a currency secured on public funds, and that directors and stockholders should be personally liable.

The authorship of this idea is attributed to Mr. Stillman, who is also the well-known author of the "Stillman Act" to abolish imprisonment for debt.

This bank act, which was especially engineered by the far-seeing Secretary of the Treasury, Salmon P. Chase, had almost a miraculous effect upon the credit of the country. It created a new and extensive market for United States bonds, which immediately advanced from 93 to par.

All the running expenses of the Government, accumulated with such rapidity, were paid from the sale of the 5-20's within the short period of two months or thereabouts.

It was stated in the Treasury report at the end of the year that "The Bank Act at once inspired faith in the securities of the Government, and, more than any other cause, enabled the Secretary to provide for the prompt payment of the soldiers and the public creditors."

Mr. Hugh McCulloch, the Comptroller of the Currency, saw room for certain changes in the law, some of which were effected by Congress in the first session of 1864. These changes were embodied in the Act of June, 1864.

There was a long debate and strenuous opposition, in which Secretary Chase deeply sympathized, against State taxation of the national banks, but despite the opposition the taxation clause was carried.

At length the modified act was passed, limiting the total amount of United States notes to be issued to 400 millions, with such additional amount, not exceeding 50 millions, as might be transiently required for the redemption of the temporary loan, and thus the main features of the Bank Act, which has served its purpose very well, became a law.

I hope, however, ere long, as I have more fully intimated in another chapter, to see a superior system of banking, which I believe must succeed the present system, which is now doomed to “innocuous desuetude” through the imminent payment of the public debt.

NEW YORK STOCK EXCHANGE.

CHAPTER XI.

THE NEW YORK STOCK EXCHANGE.

History of the Organization for Ninety-four Years.—From a Button-Wood Tree to a Palace Costing Millions of Dollars.—Enormous Growth and Development of the Business.—How the Present Stock Exchange was Formed by the Consolidation of Other Financial Bodies.—Patriotic Action During the War Period.—Reminiscences of Men and Events.

The New York Stock Exchange is not a building, as people generally suppose. It is an Association of brokers united, but not incorporated by law, for the purpose of buying and selling representatives of value called "stocks" and "bonds." Stocks, in the American sense of the term, are properties consisting of shares in joint stock companies or corporations, or in the obligations of a government for its funded debt. In England, government obligations only, are called "stocks," and the obligations of companies or corporations are called "shares."

The edifice in which the Stock Exchange meets, and which, in common parlance, is designated by the name of the association of members, occupies a large portion of the block bounded by Broad, Wall, and New streets, and Exchange Place. Its main entrance is on Broad street, and it has entrances also on Wall and New streets. It has a frontage of 65 feet on Broad and 158 on New, on which the back entrance is situated. The members of the Stock Exchange have no need of a charter from the Legislature. In fact, they have steadily resisted all attempts of the Solons of this State to legislate in their interest. Their notion in this respect is more fully commented upon in my chapter on "Corners." The Tweed Ring, in the height of its power, made a bold attempt to force a charter upon the Stock Exchange, but it was indignantly rejected. The irrepressible "Boss" and his henchmen, by the presentation of false names, had a charter for the incorporation of the Stock Exchange passed in 1871, the year prior to Tweed's downfall, and it was signed by the Governor. For these gratuitous services the sum of $100,000 was impudently demanded; but the charter was refused, and the demand repudiated by the association. Since 1879 until recently the membership, which has been full, was limited to 1,100, but by a resolution lately passed the limit is now placed at 1,200. The seats for the past year have sold at from $25,000 to $30,000.

The Stock Exchange building is a fine, solid structure, devoid of anything showy, pretentious or decorative. It was designed by James Renwick, the architect of Grace Church and of St. Patrick's Roman Catholic Cathedral, on Fifth avenue at Fiftieth street. The cost of the building was nearly $2,000,000. It costs nearly $200,000 a year to pay the salaries of the various officials and keep the building in proper repair. The apparatus for ventilating the building is one of the best. It cost $30,000, and supplies an abundance of pure air and perfumes at the same time. The heating and cooling arrangements are the best of their kind, and the lighting is admirable. There are three chandeliers containing 200 electric lamps, which throw a flood of beautiful soft light around the whole interior. The building is well supplied with rooms for members, lavatories, and closets. One great feature of the interior consists of the large vaults, which contain more than a thousand safes for the safe keeping of securities. About 400 of those safes are let to persons who are not members. The vaults and safes are considered the strongest in the country.

The growth of this institution appears marvelous when we go back to its humble beginning in 1792, when the originators formed the association under a button-wood tree in front of what is now No. 60 Wall Street. Following is the text of the simple agreement into which the original members entered: "We, the subscribers, brokers for the purchase and sale of public stocks, do hereby solemnly promise and pledge ourselves to each other that we will not buy or sell from this date, for any person whatsoever any kind of public stocks at a less rate than one-quarter of one per cent. commission on the specie value, and that we will give a preference to each other in our negotiations. In testimony whereof, we have set our hands this 17th day of May, at New York, 1792. Lem Bleekez, Hugh Smith, Armstrong & Barnewell, Samuel Marsh, Bernard Hart, Sutton & Hardy, Benjamin Seixas, John Heary, John A. Hardenbrook, Amurt Beebee, Alexander Gunty, Andrew D. Barclay, Empn. Hart, Julian McIvers, G. N. Bleecker, Peter Inspach, Benjamin Winthrop, James Ferrers, Isaac M. Gomez, Augustine H. Lawrence, John Besley, Charles McIvers, Jr., Robinson & Hartshorn, David Reedy."

This arrangement existed, and was the only one by which the members were bound, until 1820, when daily meetings and the regular call of stocks began. The Board met in various places, including the old Merchants' Exchange on the corner of Wall and William streets, but did not take root in permanent shape until the year 1842, when it became established in the new Merchants' Exchange, now the Custom House. An illustration of the old Merchants' Exchange is given on another page. The sight of it will doubtless awake a host of endearing reminiscences in the minds of some of the oldest merchants and speculators. It will be remembered by the few survivors of that period that about the year 1820 the meetings of the Board were held in the office of Samuel J. Beebee, at 47 Wall Street. The Board also met in a room in the rear of Leonard Bleecker's; also in the office of the old *Courier and Journal*. Subsequently the

meetings of the Board were held in an upper room of the old Merchants' Exchange. This building was destroyed by the great fire of 1835, and afterwards the new Merchants' Exchange was built. The Board moved into this building in 1842, and remained there until 1853. Up to this time the Board was the very closest of corporations, its membership being governed by the most iron-clad rules. There was no field for financial news agencies in those days, for the Board kept its proceedings a profound mystery, and its members were bound to the strictest secresy on pain of expulsion. That wonderful development of our later civilization, the ubiquitous interviewer, was then unknown. The business of the Board excited the most intense curiosity, and so impatient did outsiders become to learn the mysteries of the interior, that the members of an open Board which was organized about the year 1837, after failing to force themselves into the regular association, engaged a building next to the Board-room, and dug the bricks out of the wall in order that they might see and hear what was going on.

The Board removed from the Merchants' Exchange building in 1863 to a room in the Commercial Exchange Bank building, at the corner of Beaver and William. About the year 1857, memorable as the period of the great panic, and my advent in Wall Street, the Board removed to "Dan Lord's building," which had entrances on William and Beaver streets. It was here, about the time of my advent, in Wall street, more fully described in another chapter, that some of the great speculators of that era figured. Among these were Daniel Drew, Jacob Little, and the lightning calculator, Morse, who made and lost a fortune of millions in little more than a year. In this building the rule of secresy was not relaxed, and the fact is on record that a hundred dollars a day were freely offered for the privilege of listening at the key-hole during the time of the calls. The Board continued to hold its meetings in this building during the war, and up to 1865, when it removed to the present edifice.

BOARD ROOM OF THE NEW YORK STOCK EXCHANGE.

It is worthy of note here that the Stock Exchange, during the war, for the purpose of assisting the Government, passed a resolution prohibiting members from selling Government bonds "short;" and also a resolution forbidding all dealings in gold. The latter resolution was the principal cause of the formation of the Gold Exchange. This action on the part of the Stock Exchange was taken at a pecuniary loss of many millions of dollars, the sacrifice having been made for the highest and noblest of patriotic purposes; yet, in the face of such an historic record as this some people still imagine that the members of the Stock Exchange never have been anything but a selfish set of money grabbers. Is there any other institution in the country whose members would have made such a personal sacrifice in the interest of the Government? I doubt if there is. Certainly, none did.

There was a second Open Board of Brokers formed in the year 1863. It took up its quarters first in a basement in William street, called the "Coal Hole." The membership began to increase rapidly, and the business accumulated so fast that the Board was soon enabled to take more capacious accommodations on Broad street, contiguous to the Stock Exchange. In this menacing attitude the new Board began to make serious inroads on the business of the old one, almost one-half of which it had acquired by the year 1869, when the old Board called a truce. It was seen by the judicious members of the Board that the competition was likely to work the ruin of both, and amicable negotiations were begun which culminated in consolidation. So the Open Board, the Stock Exchange and the United States Government Board were consolidated in May, 1869, making the strongest public financial association in the country, and one of the most important in the world, and placing it upon an almost impregnable footing. Mr. William Neilson was the first President in the new building.

The following are the names of the Presidents of the New York Stock Exchange from 1824 until the present time:

1824 Edw. Lyde.
1825 "
John Wicker.
1828 "
1829 "
1830 Russell H. Nevins.
1831 John Ward.
1832 "
1833 "
1834 R. D. Weeks.
1835 E. Prime.
1836 R. D. Weeks.
1837 David Clarkson.
1838 "
1839 "
1840 "
1841 "
1842 "
1843 "
1844 "
1845 "
1846 "
1847 "

1848 “
1849 “
1850 “
1851 H. G. Stebbins.
1852 C. R. Marvin.
1853 “
1854 “
1855 “
1856 “
1857 J. H. Gourlie.
1858 H. G. Stebbins.
1859 W. H. Neilson.
1860 “
1861 “
1862 A. B. Baylis.
1863 H. G. Stebbins.
1864 Wm. Seymour, Jr.
1865 R. L. Cutting.
1866 Wm. Alex. Smith.
1867 John Warren.
1868 Wm. Searles.
1869 W. H. Neilson.
1870 Wm. Seymour.
1871 W. B. Clarke.
1872 Edw. King.
1873 Hy. G. Chapman.
1874 Geo. H. Brodhead.
1875 Geo. W. McLean.
1876 Salem T. Russell.
1877 Henry Meigs.
1878 Brayton Ives.
1879 “
1880 Donald Mackay.
1881 “
1882 F. N. Lawrence.
1883 A. S. Hatch.
1884 J. Edward Simmons.
1885 “
1886 James D. Smith.
1887 “
1888 “
1889 Wm. L. Bull

1889 Wm. L. Bull.
1890 "
1891 W. B. Dickerman.
1892 "
1893 F. K. Sturgis.
1894 "
1895 F. L. Eames.
1896 "
1897 "
1898 "
1899 R. Keppler.
1900 "
1901 "
1902 "
1903 "
1904 R. H. Thomas.
1905 H. K. Pomroy.
1906 R. H. Thomas.
1907 "
1908 "

Jacob Isaacs was Secretary from 1824 to 1831.
Bernard Hart was Secretary from 1831 to 1855.
Geo. H Brodhead was Secretary from 1855 to 1870.
B. Ogden White was Secretary from 1870 to 1883.
George W. Ely was Secretary from 1883 to 1900.
Wm. McClure was Secretary from 1900 to 1905.
George W. Ely was Secretary from 1905 to 1908.

Ten Oldest Living Members to 1907, all of whom joined the Exchange prior to July 1, 1864.

William Alexander Smith.
Henry Clews.
E. C. Benedict.
John H. Jacquelin.
H. S. Camblos.
L. D. Huntington.
J. H. Whitehouse.
A. S. Clark.
Edwin Corning.
L. J. Van Boskerck.

CHAPTER XII.

"CORNERS" AND THEIR EFFECT ON VALUES.

THE SENATE COMMITTEE ON "CORNERS" AND "FUTURES."—SPECULATION BENEFICIAL TO THE COUNTRY AT LARGE.—A REGULATION OF VALUES, AND AN IMPORTANT AGENT IN THE PREVENTION OF PANICS.-"CORNERS" IN ALL KINDS OF BUSINESS.—HOW A. T. STEWART MADE "CORNERS."—ALL IMPORTING FIRMS DEAL IN "FUTURES."—LEGISLATION AGAINST "CORNERS" WOULD STOP ENTERPRISE AND CAUSE STAGNATION IN BUSINESS.—ONLY THE CONSPIRATORS THEMSELVES GET HURT IN "CORNERS."—THE BLACK FRIDAY "CORNER."—SPECULATION IN GRAIN BENEFICIAL TO CONSUMERS.

The New York Stock Exchange is organized after the same manner as a social club, such as the Union League, the Union or the Manhattan, and not under a special charter from the Legislature. Hence it is protected from the interference of that honorable body.

Although various attempts have been made, from time to time, at Albany, to levy taxes upon the transactions of the Exchange, and to interfere with the business of speculation and investment in many other ways, these legislative designs have hitherto been happily frustrated.

Shortly after the memorable "corner" in Hannibal & St. Jo., in 1881, another attempt was made by the Legislature to force Wall Street matters under the jurisdiction of Albany lobbyists and "scalpers."

The newspaper articles on the subject of the "corner" had attracted the attention of the Legislature then in session, and naturally suggested to some of the wiseacres of that dignified and incorruptible body that the "corner" afforded an excellent opportunity, when the public mind was excited on the subject, to raise an outcry against the shocking immorality of such huge speculations.

A Senate Committee on "corners" and "futures" was therefore appointed, and various Wall Street men were summoned to appear before it, and give their testimony on this interesting subject. I had the honor of being one of the witnesses cited. I promptly obeyed the subpœna in preference to taking the risk of being hauled up for contempt and

sent to durance vile. I appeared before the Committee at the Metropolitan Hotel, and not only answered all questions put to me, without any fashionable lapses of memory, after the manner of certain other financiers, but I regaled the Committee with a little dissertation on the subject of investigation. I had letters from members of the Legislature afterwards complimenting me for having made the points very clear. So I can say, "Praise from Sir Hubert is praise indeed," and therefore I am encouraged to reproduce that effort in this volume, not so much from an intense desire to go down to posterity as a successful orator, as from a disposition to record my approval, in more permanent form, of the soundness of the legislative judgment on my explanation of "corners."

When the applause had subsided, I spoke as follows:

"Gentlemen of the Committee on Corners and Futures: Speculation is a method now adopted for adjusting differences of opinion as to future values, whether of products or securities. This is more common now than in former years because the facilities for procuring information have increased with the greater intelligence and celerity with which all business is now conducted, and also from the greater rapidity with which such information can be transmitted by telegraph and cable.

"In former years the results of a crop were known only when it came to the market. Now almost everything affecting its future value is known with a fair degree of accuracy before the crop is harvested. This advanced information naturally becomes the subject of speculative transactions which could not have existed in former times.

"Speculation brings into play the best intelligence as to the future of values. It has always two sides. The one that is based principally on the facts and conditions of the situation wins in the end, and the result of the conflict is the nearest possible approach to correct values. The consequences of speculation are thus financially beneficial to the country at large.

"Speculation for a fall in prices is based upon the presumption of an over-supply. If it succeeds, the production of the particular product is checked until prices recover, and in the meantime production is diverted to articles less abundant. Thus speculation proves a regulator both of values and production. Speculation for a rise in prices is based upon a presumption of scarcity or short supply, and its direct effect is to quicken production and restore the equilibrium of prices.

"'Corners' usually come from running speculation to an excessive length, by which the seller becomes responsible for deliveries beyond what he can possibly make. He thereby places himself at the mercy of those with whom he has made the contracts. These exigencies chiefly affect the speculators themselves, and the community at large but little.

"Extreme prices usually grow out of them, but they are only momentary, and have small effect upon regular or cash transactions, which sympathize very remotely with

these temporary and artificial quotations.

"Speculation is not to be judged by its occasional excesses, but by the general effects which the foregoing considerations show to be beneficial. It regulates production by instantaneously advancing prices when there is a scarcity, thereby stimulating production, and by depressing prices when there is over-production. It thus becomes one of the most beneficial agents in the business world for the prevention of panics.

"Speculation, moreover, makes a market for securities that otherwise would not exist. It enables railroads to be built through the ready sale of their bonds, thus adding materially to the wealth of the whole country, and opening a more profitable market to labor. In this it becomes the forerunner of enterprise and material prosperity in business.

"There are 'corners' in all kinds of business as well as in Wall Street speculation. Mr. A. T. Stewart, the great dry goods merchant, made more 'corners' during the latter part of his life than half the rest of the business community put together. He did this mainly by contracting for the entire and exclusive production of certain classes of goods, and as such goods could only be bought at his establishment he had a close 'corner' in them, and accordingly put on his own prices.

"The greater portion of all the large mercantile firms do business in the same way. And all the importing firms deal in futures. They sell goods by sample, agreeing to deliver them at a future stated period, varying from thirty days to twelve months. In the meantime the goods have to be manufactured, and in many instances purchasers have to wait until they are grown, and imported thousands of miles.

"If it were not for the support which comes from the 'short' interest in grain and the general activity created thereby in times of depression, which come periodically in this country, it would be in the power of the large speculative grain dealers in Europe to manipulate prices downward, and purchase our products every year, on raids, at prices much under the cost of production.

"When we sell to Europe we must do so at a profit, or our transactions don't help to enrich the country.

"Another curious thing about 'corners' is that the people who organize and manipulate them generally get most hurt in the enterprise. This was the case with the 'corner' referred to in Hannibal and St. Joseph. Mr. John Duff, of Boston, was the man in whose prolific brain that 'corner' originated, and the result to him was financial ruin. The stock ran up to 350, though the short account amounted to only about 1,200 shares, and the 'shorts' had to settle at 280.

"The result was similar in the 'corner' in Northwest in 1872, manipulated by Jay Gould. The stock was started at 80 and it ran up to 280. It then reacted to the former

figure. I believe Jay Gould was alone in that deal, and it came pretty near crushing him, in spite of his incomparable capacity for wriggling out of a tight place.

"Patents are 'corners' protected by law. The inventor has a monopoly for seventeen years in his invention against all the world, and this gives him a right to make and sell the article covered by his patent, often at a profit of several hundred per cent. on the original cost, and on the price it would bring if placed in competition in the open market, like railroad stocks and grain.

"If it is the intention of the Legislature of this State to stop enterprise in business, then your Committee is undertaking to accomplish that work in the right way, but I think your success would be a public calamity."

I doubt the expediency of either undertaking to regulate enterprise by law or to choke off competition by the law-making power. The result would be woeful stagnation in business. It would crush the motives for commercial activity and depress the creative energies of prosperity.

The law of supply and demand is the best regulator.

Congress attempted to suppress speculation in gold during the war, and as soon as the act was passed prohibiting such dealings, the premium on gold advanced 100 per cent. This so much terrified the wise statesmen who concocted this sweeping measure of financial reform, that they immediately displayed much more wisdom in hastening to have the bill repealed.

The simple reason that such laws will not work in practice is that where there is a will there is generally a way to evade them. This is the case with the very best of such laws that can possibly be framed. Take the usury laws for example. The methods of getting around these are numerous, and there is practically no limit to the rate of interest that can be exacted except the conscience of the lender, which is frequently very elastic. Daniel O'Connell said he could drive a coach and six through any act of Parliament. Jake Sharp was also of opinion that he could run a double-track horse-car railroad through the best act that could be framed by any Albany Legislature. Jake was checked in his career at considerable trouble and expense, but his case illustrated that the rule referred to holds good generally in legislation.

The fact, however, that it seldom happens that anybody gets badly hurt in "corners," except the conspirators themselves, is sufficient protection for the general public, and should set the minds of legislators at rest, if they mean to do legitimate business in their law-making capacity.

The conspirators in "corners" are usually left high and dry without any market for their fictitious values, and the "corner" very frequently has the effect of putting the property out of the speculative market for a long time. The fate of Han. & St. Jo. is a

warning to those who manipulate "corners." The stock was seldom quoted for months afterwards.

Take the case of Black Friday for example. It was most disastrous to the parties intimately connected with it. It came near proving Gould's ruin, and he has not got over the moral effect of it yet. The probability is it will be an heirloom in his family, a skeleton in the Gould closet for generations to come. Gould and Black Friday have become synonymous in the minds of many people, and the further from Wall Street the more the distinction becomes confounded.

In making these remarks I have no intention of throwing any reflection upon Mr. George Gould, who seems to be a very promising young man for a rich man's son. His careful education has, no doubt, done much to counteract the drawbacks incident to the sons of wealthy men to which I have referred more fully in another part of this book. His maternal training, I understand, has been of the most exemplary kind. This will go far to offset the disadvantages to a business career, which the accident of his birth in luxurious surroundings, according to my theory, otherwise entails. If his brain is composed of the genuine plastic material out of which the craniums of successful financiers are made, he may learn to forget that he has been nursed in the lap of luxury, and look back with due respect to the hole whence his father was digged and the rock whence he was hewn. He may have brains enough, possibly, to reflect with more pride on that ingenious mousetrap that first brought his father into prominence, than the gew-gaws of the gilded palace in Fifth avenue, the luxuries of the handsome parlors and rich conservatories at Irvington, and the gorgeous trappings of his father's yacht and palace cars. I have, therefore, great hopes that George will be a conspicuous exception to the rule I have propounded elsewhere regarding rich men's sons.

When a large mercantile firm buys up goods in any line so that nobody else has the same goods, it then has a "corner" in these goods.

"Corners" in goods differ from "corners" in Wall Street in regard to their influence on the organizers. They don't act like a boomerang as the Wall Street "corners" mostly do. The "corner" is sometimes sustained during the life of the manipulator, as in the case of Mr. Stewart.

The successors of the great operators sometimes maintain it, but in this instance Judge Hilton made a signal failure, though in some respects he is a far abler man than Stewart was. Yet, he had not the genius, for working "corners," of his eminent predecessor. He is, probably, so well learned in the law that he has too much inclination to go around the "corners."

One thing is certain, very few of these merchants can become wealthy except through the medium of "corners." It is by these peculiar methods that nearly all large fortunes are amassed in their line, and in a perfectly legitimate manner, too, whatever casuists

and hair-splitting moralists may say or think about the matter. The tendency to make "corners" seems to be interwoven in our business methods, and to play an important part in the struggle for existence. So I don't see what we are going to do about it without a radical change in that compendium of the best political wisdom that the world has ever seen. I refer to the Constitution of the United States. All the acumen and sophistry which the most astute Philadelphia lawyer could bring to bear upon it has hitherto failed to show that there is anything in this wonderful document opposed to the liberty of making "corners."

As Mr. Gladstone has truly said: "This document is the most wonderful work ever struck off at a given time by the brain and purpose of man."

I hold there is nothing in the Constitution opposed to the freedom of making "corners," and that all the evils resulting from these speculative inventions can be met and counteracted by business methods, and the laws regulating the ordinary concerns of life without resorting to any rigid or special methods.

To dispose of "corners" or abolish them on the large scale to which I have alluded would presume an entire revolution in our social system, and to attack them piecemeal, as the Legislature frequently does, involves a very suspicious kind of discrimination, and is at variance with the spirit of the Constitution. In fact it often amounts to a kind of thinly-disguised blackmail.

The truth is, that it is almost impossible to legislate against "corners" without aiming a fatal blow at speculation itself, which, as I have shown, is a vital principle in the regulation of values, the stability of business, and the prevention of panics.

I believe the men of most experience, not only in Wall Street, but in other departments of finance and commerce, will bear me out in the statement that a market where even values are considerably inflated by speculation, is more desirable than a period of depression. The result, in the long run, is the greatest good to the greatest number. I don't believe that the ghost of Jeremy Bentham himself could rise up and consistently condemn this statement.

I believe that speculation in grain and provisions is materially beneficial to consumers, and that the latter are better off, one year with another, and less liable to be menaced with periodical famines, than if there were no speculation in these necessities of life.

Before leaving this prolific theme of "corners" I wish to say a few words about my own experience in that line. The only "corner" in which I have ever been materially hurt during my long business experience was one manipulated by the State of Georgia.

This Sovereign State issued and granted altogether about eight millions of bonds, all bearing the great seal, properly signed and legally issued for full value. I advanced over

two million dollars in good money on a part of these bonds. Shortly after this transaction, the State of Georgia ascertained through a garbled report of a committee sent to this city by the Georgia Legislature, that all these bonds were held outside of her own borders. The Legislature then passed an act of repudiation, thereby reducing the value of the bonds from par to that of waste paper. When I discovered that my little pile of two million dollars in what I considered good securities would no longer exchange for greenbacks, I had a very disagreeable sensation of having been "cornered" by the high toned and chivalrous representatives of the State of Georgia, which, through its lawmakers, claimed the sovereign right to do wrong to the citizens of a sister State.

In the Harlem "corner," which is referred to in another place, contracts to deliver at 110 were settled at 179.

About three million dollars were taken out of the pockets of the bears. Several prominent houses went down in the struggle. The result of the "corner" was that the bulls were saddled with the entire capital stock of the property.

One broker, who had sold calls at 150 and was requested to fulfil his contracts when the stock had advanced to 250, was very much in the same position as Glendower's spirits, which were called from the vasty deep but would not come. "I don't see anything here," he said, "about delivering. You can call, but I don't mind it."

There were two "corners" in Harlem. The Common Council was cornered in one and the Legislature in the other.

In the Rock Island "corner" the bulls bought 20,000 shares more than existed, and the price rose from 110 to 150.

London financiers have a fearful horror of "corners." Hence the London Stock Exchange is very chary about listing our railroads, especially those with a moderate number of shares.

"Corners" are seldom profitable, and the parties connected with them can hardly escape getting badly hurt unless they are prepared to own and carry the entire property. Even in that event, it is usually put out of the speculative market for a considerable time.

The Hudson "corner" was one of the most successful. It paid a profit of 12 per cent. There was a profit of 4½ on the Rock Island "corner."

The first "corner" of which there is any record in Wall Street was in Morris Canal, an old "fancy" now almost forgotten except for its "corner." It had been forced upward as fancies frequently are, until it was far above its intrinsic value, and several operators began to sell "short."

After this operation had gone on for some time a pool was formed to protect it, and the pool bought it all up and locked it up in a trunk. The operation was new to the Street

and the bears were astounded, but when called upon to settle they became furious, and accused the manipulators of the "corner" of entering into a conspiracy. The "bulls" asked the "bears" why they had sold what they did not possess and could not procure.

The dispute was referred to the arbitration of the Board of Brokers, and that eminent body, then unsophisticated in the arts of speculation, took what seemed to them an equitable view of the case, and decided it in favor of the "shorts," who, on the ground of conspiracy on the part of the clique, were relieved from fulfilling their obligations.

CHAPTER XIII.

THE COMMODORE'S "CORNERS."

The Great Hudson "Corner."—Commodore Vanderbilt the "Boss" of the Situation.—The "Corner" Forced upon Him.—How he Managed the Trick of getting the Bears to "Turn" the stock, and then caught them.—His able Device of Unloading while Forcing the Bears to Cover at High Figures.—The Harlem "Corner."—The Common Council Betrayed the Commodore, but were Caught in their own Trap, and Lost Millions.—The Legislature Attempt the same Game, and meet with a Similar Fate.

In the Hudson "corner," the stock jumped from 112 to 180. Commodore Vanderbilt was the "Boss" of the situation in this "corner." He got the "bulge" completely on all the other parties connected with it, and what is more, he had the balance of the sympathy of the Street with him, for he was not the aggressor in getting up the "corner." The fighting at first was forced upon him, but he acted on the defensive in a way that made his opponents sorry for their rashness. Though he did not know much about Shakespeare, he acted in accordance with old Polonius' advice to his son by pushing the opposition to the wall.

As soon as he gained the mastery, he became severely aggressive, as he was in everything.

The beginning of this story of the Hudson "corner" is somewhat romantic. The Commodore was sunning himself on a pile of logs on the Jersey side of the Hudson while his yacht lay in the stream, and he was in the mood for enjoying a long and well-earned vacation, attempting to lay aside for a time the toil and trouble of eking out a precarious existence in speculation. While basking in the noon-day sun and gazing with delight on the luxurious foliage that arose from the New Jersey bank of the river, he was aroused from his charming reverie by a messenger from Wall Street, who conveyed to him the important intelligence that a wicked and unregenerate clique of "bears" had conspired to sell Hudson stock "short," and that it was declining with great rapidity under the repeated and unmerciful blows of their hammers.

The Commodore arose and shook off his lethargy, as a lion may be supposed to shake the dew from his mane prior to his preparation for a spring upon an unfortunate foe.

The Commodore hastened down to Wall Street and instructed his brokers to take all the sellers' options offered in Hudson. Cash stock was then taken as quickly as possible until the market was bare. A brief calculation showed that the buyers had secured either as cash or contract stock all the Hudson stock in existence with the exception of a small number of shares which were not expected to come upon the market.

The prolific brain of the Commodore then invented a new move in the game. A number of leading "bear" houses were requested to "turn" Hudson, which means to buy it for cash from the cornering party and sell it back to them on buyers' options for periods varying from ten to thirty days. This able ruse was intended to impress the bears with the idea that the cornering party was weak. It seemed as if they were short of cash. So the leading bears grasped at the good chance, as they imagined, of turning several thousand shares, and instantly threw the cash stock on the market. It was privately picked up by the brokers of the great "cornerer."

Everything having thus far progressed in favor of the ruse the trap was sprung upon the unsuspecting party. The sellers' options began to mature, and there was no Hudson to be obtained.

The "corner" was complete, and the stock rose to 180. It had been 112 a few mornings before, when the Commodore was basking in the sun, and found that the bears were taking advantage of his absence. The loss on a hundred shares was $6,800.

There were about 50,000 shares contracted for to be delivered at this rate of profit by the "cornerers." It will thus be seen that they were well fixed.

The bears were in terrible anguish.

But the worst part of the deal for these poor animals had yet to come. The bears who had turned the stock were notified that they must stand and deliver. They complained bitterly of the ingratitude of the bulls, whom they had only sought to oblige, by turning the stock. The bulls were implacable, however, and demanded their property. They proposed a compromise which was most exacting. They were willing to lend stock at five per cent. per day. Some of the bears paid this, thinking the "corner" would be of short duration, but it continued for over two weeks, and, after paying five per cent. a day for several days, these poor victims bought the stock at the high rate and settled.

This double move in turning the stock was the ablest trick that had ever been accomplished in cornering. It made Vanderbilt king of strategists in that line.

But the best part of the stratagem was that wherein the bulls saved themselves from being saddled with the whole stock, and made immense profits out of the deal.

While some of the bears were purchasing to cover at 170, Vanderbilt's private brokers were selling at 140, the clique thus craftily unloading at good paying figures. This was one of the best inside moves in the whole history of "corners."

The bulls thus saved themselves from the risk of being loaded with probably the whole, or at any rate the greater part of the capital stock, and through the Commodore's able management the load was comparatively light at the end of the deal, the property remaining as good a speculative as before, which is a rare exception in "corners."

The "corner" in Harlem was not less skilfully managed than the one in Hudson, but it had fewer complications. It was all plain sailing, so to speak, compared with the former, yet it clearly illustrated that the Commodore had a genius for "corners." When he managed the Harlem "corner" he had had no experience in railroad matters, and he had reached the ripe age of sixty-nine.

I place the Hudson "corner" first in order because it was, in several respects, the greatest, though it happened at a later date than the Harlem.

It is a curious fact that in nearly all "corners" with which the Commodore was connected, he was on the defensive, and seldom the aggressor at the beginning of the fight. He was always placed in such a position that he had to fight hard to defend his property, or let it go to the dogs.

Buying stock in Harlem was his first venture in railroad transactions. He bought it as an investment. This was in 1863. Thirty years prior to this he had been requested to go into Harlem, but he declined, ironically remarking: "I'm a steamboat man, a competitor of these steam contrivances that you tell us will run on dry land. Go ahead. I wish you well, but I never shall have anything to do with 'em."

When the Commodore went into Harlem it was selling at eight or nine dollars a share. It had been down as low as three dollars about the time I arrived in Wall Street. He put some money in the road, began improvements and the stock soon rose to 30. Many people predicted that the Commodore would lose all the money in railroads that he had made in steamboats.

The stock, however, gradually rose to 50, and speculators began to perceive that there was some inside movement going on. This was made apparent when, one day in April, 1863, the Common Council of this city passed an ordinance authorizing the Commodore to build a street railroad down Broadway to the Battery. So Jake Sharp's enterprise was not original, as the Commodore was over twenty years ahead of him.

The Common Council were not immaculate in those days either, though the Jaehnes and Waites escaped punishment. They basely deceived the Commodore after taking his money; but he punished them severely. As soon as the franchise was granted, Harlem advanced to 75, and the Aldermen began to sell it "short." They thought they had the

Commodore fast in their clutches, and took their friends into the secret. They expected to sell enough of stock to make several millions. Their plan was to sell "short" all that the market would take, and then repeal the ordinance, which would cause the stock to drop probably below 50. Drew was one of the great bears in this deal with the Aldermen.

The Commodore got wind of the scheme, went on buying, and got others to help him, taking all the "shorts" that were offered. The operators had soon sold a great deal more Harlem stock than there was actually in existence. There were 110,000 shares of Harlem. When the Aldermen and their friends thought they had made millions, they repealed the ordinance, and Judge Brady, in the Court of Common Pleas, at the same time issued an injunction prohibiting the laying of rails on the Broadway road.

Everybody thought that the Commodore was hopelessly ruined. Harlem stock, however, dropped three points only, to 72. This created surprise among the Aldermen and the bears. They thought it should have dropped to 50. The "shorts" went into the market for the purpose of covering. Harlem ascended with amazing rapidity to 100, to 150, to 170 and finally to 179. The Common Council were obliged to make their final settlements at the last figure. The Commodore had all the stock. The Common Council lost a million, and their friends, whom they had advised to sell "short," lost several millions. The Commodore "raked in" five or six millions, and went on his way rejoicing and improving Harlem, having now taken "Bill" in with him as vice president.

One would naturally imagine that the severe lesson which the Common Council had received in "corners" would have taught others to beware of the Commodore in this line of speculation, although it was new to him, but it did not. People as a rule will not learn either by precept or example. They must go through the rough experience themselves.

The Legislature soon fell into the same trap in which the Common Council had been caught and which they had actually set for themselves. The following year the Commodore secured control of the Hudson River Railroad through the purchase of its stock, and afterwards secured a sufficient number of the members of the Legislature to pass a bill consolidating the road with Harlem. He also won the promise of the Governor to sign the bill.

Harlem again began to rise, and went from 75 to 150. This was early in 1864.

The members of the Legislature employed to pass the bill pocketed the money of the Commodore and then hatched a conspiracy, after the manner of the Common Council, to ruin him and make millions by his fall. He had a shrewd lobbyist in the Legislature, however, who attentively watched his interests while he came down to New York to purchase stock for the rise that must have necessarily followed the passage of the bill. He had not been long in Wall Street when he was informed that the Legislature were imitating the game in which the Common Council had been so signally defeated the

previous year. The Commodore sent him word to keep close watch at Albany, and he went on buying stock in Wall Street.

The bill was defeated. Harlem stock had a slump from 150 to 90. The Commodore was in a dilemma, and would have been dreadfully embarrassed only for the intense avarice of the Legislature. If they had bought and delivered at 90, they would have made millions, which the Commodore would have lost; but, like the horse leech's daughter, they cried out for more. Nothing would satisfy them until the stock should be depressed to 50. Then they could "scoop" in several millions and the Commodore would be wound up. This was probably the darkest hour in the Commodore's life. He hardly knew which way to turn. He was on the ragged edge. He has often pathetically described his feelings at this crisis to his intimate friends. He was almost on the brink of despair. He sent for old John Tobin, who had been a gate keeper at the ferry-house at Staten Island. Tobin had made quite a haul in the former deal in Harlem, and was worth over a million. He told Tobin what the perfidious members of the Legislature had done. John had been buying Harlem also in prospect of a rise.

"They stuck you too, John," said the Commodore. "How do you feel about it?" John sighed, and replied that his feelings were not the most enviable. "Shall we let 'em bleed us?" queried the Commodore.

John sighed again, but did not know what reply to make.

"John, don't them fellows need dressing down?" emphatically queried the Commodore. John answered in the affirmative, but did not see how it was to be accomplished, as "them fellows" at that moment seemed to hold the fort.

After a pause of deep reflection, the Commodore, again addressing John with intensified emphasis in his tone, said: "John, let us teach 'em never to go back on their word again as long as they draw breath. Let us try the Harlem 'corner' once more."

It was agreed to try and repeat the Harlem "corner."

John put up a million. Leonard Jerome also went into the deal. It took five millions to face the Legislature in this game, in which they had every opportunity of packing all the cards. It was virtually, at first, a silent game of whist, at which the Commodore was a noted player. He never played with greater skill than this time, except in the Hudson "corner," and in both instances he almost manifested the skill of inspiration.

The members of the Legislature completely lost their heads. The old classic maxim, "whom the gods devote to destruction, they first make mad," appeared to apply peculiarly to them, in the manipulation of the Harlem "corner." Some of them mortgaged their houses and lands to get money to sell Harlem "short." They advised all their friends that it was such a sure thing that failure was impossible, and brought all of their acquaintances whom they could influence into the speculative maelstrom of Harlem.

In the coarse of a few weeks, the members of the Legislature and their friends had sold millions of Harlem to be delivered at various periods during the summer, when they expected it would go ‘way down, probably to 8 or 9, where the Commodore had originally bought it.

They expected, moreover, that the Commodore would have appeared at Albany either in person or by his lobby representatives to sue for terms of settlement. They were greatly disappointed. He never left the company of his brokers in Wall Street, and persisted in purchasing. The members thought he must be mad, or at least in his dotage. He was then threescore and ten, the Scriptural limit of human days.

The Commodore continued to purchase Harlem until he had bought—paradoxical as it may seem to the general reader—27,000 shares more than were in existence of Harlem stock.

When the members of the Legislature who set the trap to catch Vanderbilt, but in which they themselves were now hopelessly ensnared, went into the market to buy for the purpose of covering, there was no Harlem to be had. Vanderbilt and his brokers had every share of it safely secured in their strong boxes.

The members of the Legislature were paralyzed. They could expect no mercy from the Commodore. He owed them none, and though a good Christian prior to his death, he was then practically a stranger to the doctrine of the great Nazarene. “Return good for evil,” or, “whosoever shall smite thee on thy right cheek, turn to him the other also.” He was rather inclined to follow the maxim of that practical Quaker, who, when smitten on the cheek and asked to turn the other, replied, “Friend, thou didst not read far enough. It is written, ‘pay what thou owest,’” and he knocked the fellow down.

This was the rule of action to which the Commodore rigidly adhered in dealing with the Legislature in the Harlem “corner.”

When a compromise was mooted to him, the Commodore replied, “Put it up to a thousand. This panel game is bring tried too often.”

No doubt he would have put it up to a thousand and totally ruined the members of the Legislature, with the Governor and their friends included, only for the overpowering appeals of his two trustworthy friends, Leonard Jerome and John Tobin.

Mr. Jerome had no sympathy for the Legislature, any more than Vanderbilt had, but he had a patriotic desire to take care of the “Street,” thus showing the large and comprehensive view of which this able financier is capable where a broad speculative question and a variety of diverse interests are involved.

“If you should carry out your threat,” said Mr. Jerome to the Commodore, “it would break every house on the Street.”

The Commodore yielded to that touch of nature that makes all the world akin, and under the magnetism of Jerome's prudent entreaty, like Pharaoh with the Israelites, agreed to let the Legislature go—at 285 for Harlem.

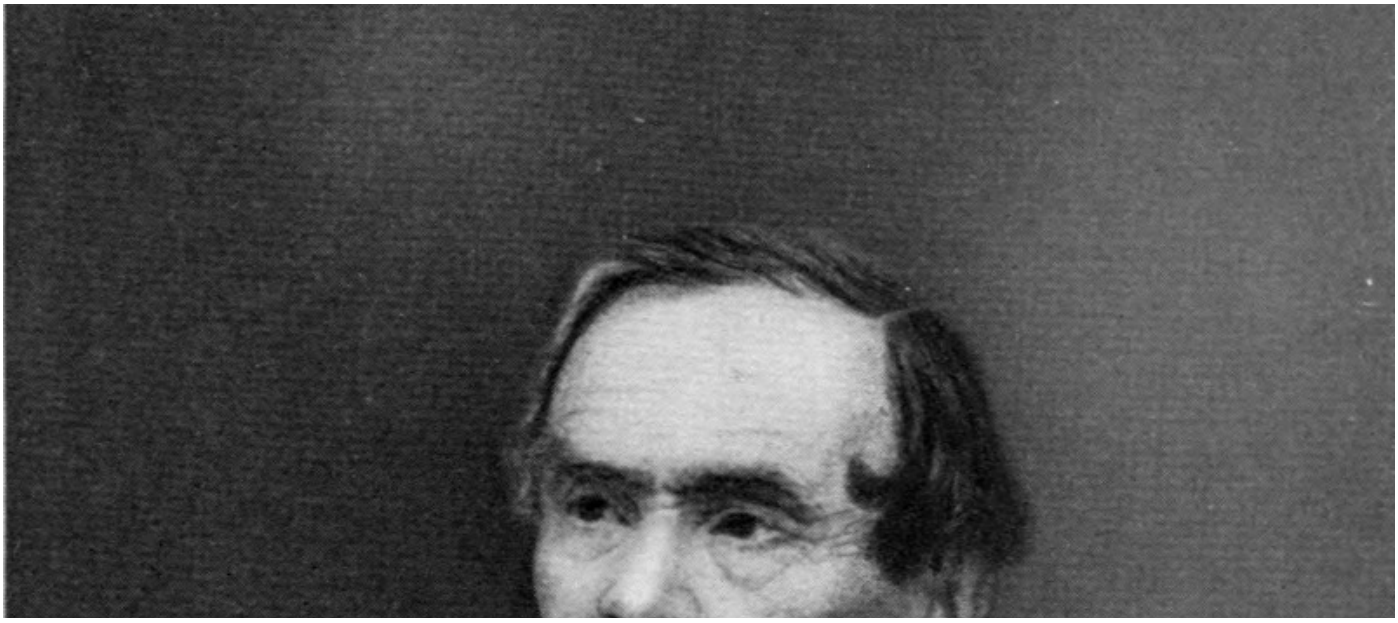
In one day 15,000 shares matured at this figure. Speculators who read these lines, just pause and think of it for a moment! The stock that sold at $3 when I made my debut in Wall Street in 1857, reached 285 in 1864, and could have been put to 1,000. Don't you feel astounded at the possibilities of speculation?

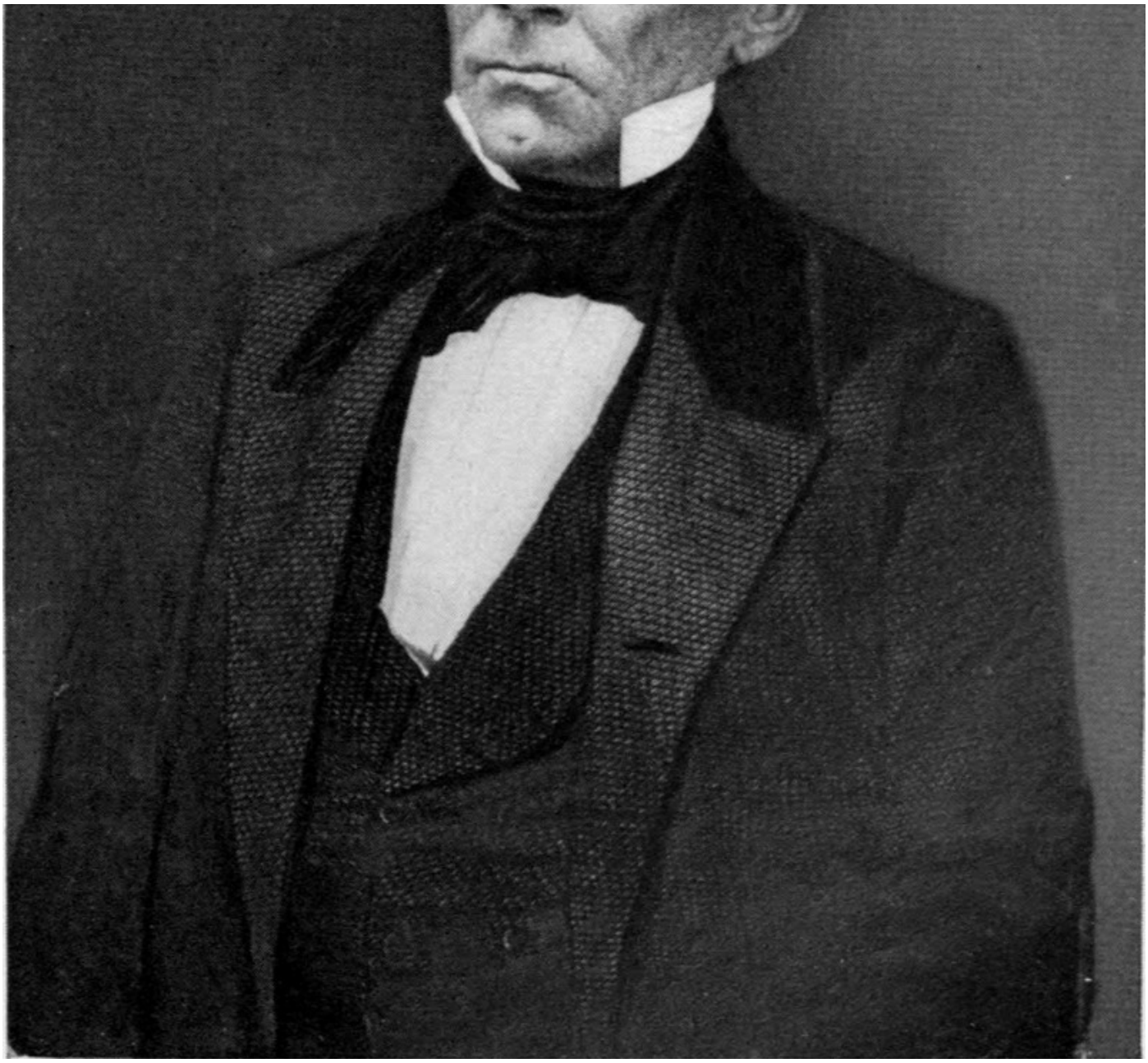
Then, again, think of the one-man power that could accomplish this wonderful feat and prevail against a whole Legislature and its Governor, with the choicest assortment of "crooked" lawyers in the State, versed in all the arts of duplicity and cunning to aid and abet said Legislature and its Governor.

Think of this, and then you will have some conception of the astute mind that the Commodore possessed, without education to assist it, in the contest against this remarkable combination of well-trained mental forces. There can hardly be a doubt that the Commodore was a genius, probably without equal in the financial world. There was hardly any achievement of his life which he gloated over with such ineffable delight as the cornering of the Legislature. He would say, when referring to the matter afterwards: "We busted the whole Legislature, and scores of the honorable members had to go home without paying their board bills." Thus ended the second "corner" in Harlem.

Many large houses were ruined by the "corner," and a host of private speculators lost all they had. Daniel Drew came very near being swamped in it, but finally escaped with paying a million, chiefly through his influence at court.

It is unnecessary to speak of the celebrated Erie "corners" here, as I have treated them pretty fully in the life and speculations of Drew.





DANIEL DREW.

CHAPTER XIV.

DANIEL DREW.

Drew, like Vanderbilt, an Example of Great Success without Education.—Controlled more Ready Cash than any man in America.—Drew goes Down as Gould Rises.-"His Touch is Death."—Prediction of Drew's Fall.—His Thirteen Millions Vanish.—How he caught the Operators in "Oshkosh" by the Handkerchief Trick.—The Beginning of "Uncle Daniel's" Troubles.—The Convertible Bond Trick.—The "Corner" of 1866.—Millions Lost and Won in a Day.—Interesting Anecdote of the Youth who Speculated outside the Pool, and was Fed by Drew's Brokers.

One of the most singular and eventful careers in Wall Street was that of Daniel Drew, familiarly called "Uncle Daniel." This man affords another remarkable instance of the possibility of attaining great success by stubbornly following up one idea, and one line of thought and purpose. His life also shows that education is not necessary to success in the acquisition of money, but, as I have attempted to show in another chapter, may be a great hindrance.

This fact is abundantly illustrated in the lives of both Drew and Vanderbilt. In fact, everybody who knew these two men were of the opinion that with a fair or liberal education they would never have cut a prominent figure as financiers. It is also questionable whether either of them, with all their ability in other respects, would have been capable, with their peculiar predilections for other pursuits, of receiving a common school or college education. They, probably, had not the capacity for that kind of acquisition. Perhaps it might have been impossible for any teacher to make Drew pronounce the word shares otherwise than "sheers," or convince Vanderbilt that the part of a locomotive in which, the steam is generated should not be spelt phonetically, "boylar."

It is more than probable that professors in grammar would have found it a hopeless task to convince the Commodore that there was anything wrong in the expression, "Never tell nobody what yer goin' to do, till you do it," or Drew that it was improper to say to his broker, "Gimme them sheers," when he desired his stocks reduced to possession. Both men seemed to think with the character in Shakespeare, that reading and writing, like their other attributes, came by nature. They evidently thought that their

abilities for financiering emanated solely from that source, and results largely bore them out in that interpretation. Both had supreme contempt for persons of less ability than themselves in the speculative arena, yet they were terribly jealous of rivals who essayed to compete with them in their own peculiar methods of making money. Cunning and shrewdness were the leading characteristics of Drew. Though illiterate himself, he, however, showed that he appreciated education in others, by erecting and endowing a seminary in his native place.

Some people who were not inclined to give Drew any credit for the finer and more generous and genial feelings of man's nature, said that his motive for this endowment was merely popularity, and a morbid desire, like that of Vanderbilt, to perpetuate his name.

Another motive, however, less ennobling to man's nature, seemed to be the true one. He saw that the religious element in society was then influential, and that many religious people of his acquaintance were in good circumstances, and he sought to ingratiate himself with them in order to make use of them in his speculations.

This appears clearly to have been at the bottom of his precious gift of a seminary to his native county. It was a curious illustration of retributive justice, if I am right about his motive, that he was obliged to default in the payment of that gift, with the exception of the interest.

Daniel Drew, at one time, could command more ready cash at short notice than any man in Wall Street, or probably than any man in America. His wealth was estimated at thirteen million dollars. He made a very large part of this out of his speculations in Erie stock, of which corporation he was then managing director and treasurer. Being thus on the inside, he was enabled to leave everybody else on the outside in the ups and downs of the market, which he himself generally engineered.

The Street was frequently amazed by fluctuations of 20 or 30 per cent. in Erie stock, sometimes in the course of a day or two, through the able manipulation of Mr. Drew.

It was a sorry day for Drew when Jay Gould took his place in the control of Erie, and it was equally disastrous for the Erie property.

From this period Gould began to grow rapidly to the full stature of speculative manhood, while Drew moved as quickly in a downward direction, until he found himself again at the lowest rung of the financial ladder. It was no wonder that he said of Gould, "his touch is death."

Drew's losses followed one another in quick succession, until his thirteen millions had melted away like snow off a ditch, and eventually he died in debt and broken hearted. His last days stand out as a sad, but eloquent warning to the avaricious. And

this reminds me of a festive event, the chief incidents of which, I think, are worthy of reproduction.

I remember being at a dinner party ostensibly given to the old gentleman when in the very zenith of his financial fame and prosperity. It was a kind of mutual admiration society, Drew being the king-pin of the social coterie. On account of his thirteen millions he was the centre of cringing admiration, and was by a number of the assemblage almost deified.

As is usual on such occasions, speechmaking was in order, the oratorical talent being called out by the toasts as they went the round of the board.

When it came my turn to speak, I followed suit, to some extent, in picking up the thread of the general glorification extended to the honored guest, to whom I paid marked deference.

"We are honored," I said, "on this festive occasion, by a gentleman of vast wealth, one who can control more ready money than any man in America, and be it said to his honor, it has all been of his own creation. He is a true representative of American thrift and enterprise. His money and his genial disposition together combined make all men his friends, and I know of only one antagonistic spirit to the continued growth of this already marvellous fortune; but that one, in all probability, may yet work his ruin. I refer to our honored guest, Mr. Drew, and his one enemy which I have in mind is 'Avarice.'"

In five years from that memorable dinner Daniel Drew was a ruined man, and his thirteen millions had vanished like the baseless fabric of a vision, leaving nothing but the miserable wreck of an avaricious spirit behind.

The manner in which Drew was supposed to make religion the handmaid to speculation was satirically touched in the following verses published in the New York *Tribune* about fifteen years ago:

He was a long, lank countryman,
And he stoppeth one of two.
"I'm not acquaint in these yeere parts,
An' I'm a lookin' fur Dan'l Drew."

"I'm a stranger in the vineyard,
An' my callin' I pursoo
At the institoot at Madison,
That was built by Dan'l Drew."

"I'm a stranger in the vineyard,
An' my 'arthly wants are few;
But I want sum p'ints on them yer sheares,
An' I'm a lookin' fur Dan'l Drew."

Again I saw that laborer,
Corner of Wall and New;
He was looking for a ferry boat,
And not for Daniel Drew.

Upon his back he bore a sack,
Inscribed "Preferred Q. U."
Some Canton scrip was in his grip,
A little Wabash, too.

At the ferry gate I saw him late,
With his white hat askew,
Paying his fare with a registered share
Of that "Preferred Q. U."

And these words came back from the "Hackensack:"
"Ef yew want ter gamble a few,
Jest git in yer paw at a game o' draw,
But don't take a 'and with Drew."

Mr. Drew was negligent in his attire, even to the verge of slovenliness. He dressed like a drover, having originally been employed in that capacity. By the way, the significant term of "watering stock" originated in the practice of Uncle Daniel giving his cattle salt in order to create a thirst in them that would cause them to imbibe large quantities of water, and thus appear bigger and fatter when brought to market. Until he met with Gould and Fisk, it was difficult for anybody to get the best of him in a deal.

He was wonderfully prolific in resources for the purpose of getting advantage of those who attempted to overreach him.

A good story, illustrative of this trait in his speculative character, is told of the time that he was so severely squeezed in Northwestern stock. He was greatly grieved at his ill luck, while the brokers and operators who had been prosperous at his expense were highly elated. They considered it a great thing to have caught the wily old Daniel

napping. He was accordingly made the victim of much ribaldry and jesting for several days in Wall Street. Some of the young men carried the joke so far as to meet him and laugh significantly and irritatingly in his face. He seemed to take it all in good part, for he had a happy flow of animal spirits, but he had a terrible rod in pickle for these young men who were making him an object of ridicule. He watched for his opportunity, and one evening as several of them were enjoying themselves in an uptown club, Uncle Daniel walked in, *sans ceremonie*. He appeared to be looking after some man, and though invited to remain, seemed to be in a great hurry to get away, and was apparently excited and warm. He seemed to have something important on hand. He drew a big white handkerchief out of his pocket a few times and wiped the perspiration from his heated brow. When he was about to depart there came out of his pocket with the handkerchief a small slip of white paper which floated around apparently unseen by him, and alighted at the feet of one of the bystanders, who quickly set his foot upon it. When Mr. Drew made his exit the white scrap of paper was instantly scanned. It contained these ominous words in his own handwriting: "Buy me all the Oshkosh stock you can at any price you can get it below par."

Here was a speculative revelation for the boys, for everybody believed at the time that Oshkosh had already gone too high, and the point had been circulated to sell it "short." The mysterious words written on this erratic slip of paper, however, convinced these operators that there must be a new deal to give Oshkosh another "kiting." There was no time to be lost in taking advantage of the unexpected and highly valuable information. They formed a pool to purchase 30,000 shares the next day. They bought the stock according to pre-arrangement, and a new broker of Daniel Drew's was the man who sold it to them. They only discovered how badly they themselves had been sold by Mr. Drew's handkerchief trick when Oshkosh began to decline at the rate of a dozen points a day, and Uncle Daniel soon raked in from the jokers and their friends more than he had lost in Northwest.

Mr. Drew first entered the Board of Directors in Erie about the year 1852, and remained there until he was squeezed out, and almost ruined, in 1868. He held the office of treasurer to the corporation.

Drew was born in the town of Carmel, Putnam county, in the year 1797, and was three years younger than Vanderbilt. As I have intimated above, in early life he drove cattle from his native town to New York. He afterward became proprietor of the Bull's Head tavern in this city.

He never changed his style of dress from that to which he was accustomed to wear when he was a drover, and when he was worth thirteen millions, instead of sporting a gold headed cane, he went around Wall Street with the handle of an old broken umbrella in his hand. While treasurer of Erie he used every opportunity to manipulate the stock to his own advantage, irrespective of the rights or interests of any other person. He was

the leading bear of the market for many years. Like Vanderbilt, he was interested to some extent in steamboats, but he made Erie stock the great medium of acquiring his vast wealth. He got the name of the speculative director, and at the outbreak of what was known as the Erie war he was supposed to be almost financially impregnable.

The "corner" of 1866 was the beginning of Uncle Daniel's troubles. Up to that period all had gone merry as a marriage bell with him, and he was piling up the millions at a rate which no other financier or speculator had ever dared to imitate. Erie stock was selling at 95 in the spring of that year. The company was badly off for money. It made application to its treasurer for the needed relief. He was ready to serve it in that way at all times, but he wanted security for the loan. There were then 28,000 shares of unissued Erie stock. The company also claimed the right to raise money by the issue of bonds convertible into stock at the option of the holder.

This was an old trick in the management of Erie matters. It had saved Jacob Little on one occasion, as I have mentioned in a former chapter, during the earlier history of speculation in Wall Street. It was, therefore, not original with the Drew management of Erie, as some people have supposed.

The 28,000 shares of unissued stock then, and three millions of dollars of convertible bonds, were placed in the hands of Mr. Drew as security, and he advanced the loan of 3½ million dollars to relieve the pressing necessities of the corporation.

When Drew found himself thus fortified with the convertible bonds, he laid another trap for the boys in the Street. Erie had been rapidly absorbed for some time, and was very strong at 95 with anxious purchasers. The stock was, therefore, becoming very scarce. Mr. Drew had a large number of contracts to fill, and operators were wondering where he would get the stock to settle. Many of them were laughing in their sleeves at his impending embarrassment, as they had done on a former occasion, and were in ecstasies of delight at the idea of the terrific "squeeze" which the old man was about to experience. When he seemed on the very horns of this dilemma, upon which the rampant bulls thought they would successfully impale him, he converted his three million bonds into an equivalent amount of stock, threw 58,000 shares on the market, met all his contracts, and fed the voracious bulls with all they wanted.

Hungry as the Street had been for Erie, this was an overdose that it was utterly incapable of digesting. The bulls were paralyzed, and before they could rally their broken ranks from the demoralizing effects of this unexpected sortie from the stronghold of Erie, the stock had declined from 95 to 50, wiping out the broadest margins and putting the whole army of bulls, reserve forces and all, to utter rout.

Millions were lost and won in a day in this deal.

This was regarded as a grand *coup d'etat*, and one of Drew's most brilliant exploits in operating. In fact, at the time, it seemed to throw every prior operation of this nature

totally in the shade, and the other leading operators of the street were blue with envy, green with jealousy, and raging mad over their losses and the way they had been entrapped and almost ruined by the deeply-laid scheme of the Erie treasurer. Drew was despised, feared and revered on account of this unparalleled achievement. He then essayed to rest on his oars for a short time, but his period of repose was but short-lived.

There was a little side-show in connection with the maturing of the operations in the pool just referred to, which is so characteristic of Daniel's methods that it is worth relating. There was a young man in the Erie pool, but not in the wheel-within-the-wheel in that sacred circle, who imagined that the purpose of the pool was to put Erie stock up, and accordingly he borrowed money from Uncle Daniel, his credit being good and having money in the pool funds, to purchase Erie. The accommodating treasurer not only lent him the money, but his private brokers sold the young man the Erie stock desired. He was duly fed from day to day with the quantity which his speculative appetite craved. After the dump just referred to, this unsophisticated youth and some other members of the pool among his friends, went to Uncle Daniel and requested him, as manager of the pool, according to the programme supposed to have been agreed upon, to put Erie again on the line of advance, in order that the young man and his friends might get in and out again, so as to cover their recent losses.

Mr. Drew, however, coolly informed them that the pool had no Erie stock and did not want any, and was not prepared to trade in that security any more at that time.

"I sold all our Arie at a profit," said Uncle Daniel, "and am now ready to divide the money."

So this youthful member had the felicity of discovering that while he was speculating on his own account for a rise, Uncle Daniel was looking after his interests in another direction, and had realized at the most opportune moment.

Thus this amateur operator, whom Uncle Daniel had amused, without letting him into the secret, in the way described, got nearly enough of money back to pay the loss he had sustained experimenting outside the pool on his own account, and upon his own independent but fallacious judgment.

If he had not speculated outside, he would have had very handsome profits from the pool, but he would not have obtained the useful experience which was connected with his losses, and the independent attitude he was ambitious to assume in speculations.

CHAPTER XV.

DREW AND VANDERBILT.

Vanderbilt Essays to Swallow Erie, and Has a Narrow Escape from Choking.—He Tries to make Drew Commit Financial Suicide.—Manipulating the Stock Market and the Law Courts at the Same Time.—Attempts to "Tie Up" the Hands of Drew.—Manufacturing Bonds with the Erie Paper Mill and Printing Press.—Fisk Steals the Books and Evades the Injunction.—Drew Throws Fifty Thousand Shares on the Market and Defeats the Commodore.—The "Corner" is Broken and Becomes a Boomerang.—Vanderbilt's Fury Knows no Bounds.—In his Rage he Applies to the Courts.—The Clique's Inglorious Flight to Jersey City.—Drew Crosses the Ferry with Seven Millions of Vanderbilt's Money.—The Commodore's Attempt to Reach the Refugees.—A Detective Bribes a Waiter at Taylor's Hotel, who Delivers the Commodore's Letter, which Brings Drew to Terms.—Senator Mattoon gets "Boodle" from Both Parties.

One of the most interesting episodes connected with the speculative life of Drew, in the somewhat sensational history of Erie affairs, was the interposition of Commodore Vanderbilt in one of the famous deals of the Erie clique. His object was to swallow up the corporation, and it came pretty near swallowing him. He was only saved by the skin of the teeth, after one of the most prolonged and desperate financial struggles of his life.

In order to explain clearly the manner in which the Commodore became involved in the Erie matter with Drew and his partners, it will be necessary to take a brief resume of the history of a few of his other prominent deals, more fully dwelt upon elsewhere.

In 1860 Harlem stock had sold as low as eight or nine dollars a share. In January, 1863, when Vanderbilt got full control of the property, the stock had advanced to 30, and in July of the same year it had bounded to 92. In August, when the "corner" was effected, it went to the remarkable figure of 179.

It was put through a similar operation the succeeding year, and the stock, which sold in January below 90, was settled for in the following June at 285. Drew had been drawn into one of these transactions, and his losses reached nearly a million.

Vanderbilt's prospects with the Harlem property were seriously menaced by the competition of the Hudson River railroad. He bought up the competing line, and thus destroyed the competition. He made this purchase when the stock was at par. He soon

manifested his superior power in management, and displayed his skill in the art of "watering," which he had invented. He had the stock advanced to 180 in a very short time.

Seeing his great success with these two properties, through his novel and unique methods of financiering, the managers of the New York Central, thinking that discretion was the better part of valor, and perceiving that they could not hold out against the edicts of manifest destiny very long, offered their property to him almost at his own price, which he very cordially accepted, approving their good judgment and keen perception.

He obtained full control of New York Central early in 1867. As soon as this triple amalgamation was complete he set his insatiable and avaricious heart upon Erie, and essayed to compass his designs and effect his purpose of reducing it to possession through the speculative machinery of Wall Street.

It was through this channel that he had obtained Hudson, and in defiance of the scientific maxim that lightning never strikes twice in the same place, he was inspired with full confidence in his ability to "scoop" Erie in the same manner. He tried first to arbitrate and consolidate, but his efforts in that direction failed.

With all his marvellous foresight and almost unerring judgment in speculative affairs, the Commodore was greatly at fault in his calculation regarding the magnitude of the task he had now undertaken in Erie. He had no idea of the immense volume of the stock which, after the speculative battle began to rage, seemed to spring out of the ground, spontaneously, as the reserve troops of Wellington were said to appear to do in the eyes of Napoleon when the struggle waxed warm at Waterloo. He had to contend with the ablest generals in speculation and finance that ever Wall Street had produced. His first bold, flank movement was an attempt to "corner" Drew. He knew how to manipulate the courts almost as well as the Erie Ring did. Accordingly, he made use of the services of Frank Work to obtain an injunction from Judge Barnard, of Tweed Ring notoriety, restraining Drew from the payment of interest on 3½ million bonds, pending an investigation of his accounts as treasurer of Erie. This was followed up in a few days by another application to the court for the treasurer's removal from office.

These measures were resorted to by Vanderbilt to prevent the issue of this stock, into which these 3½ million bonds were convertible, and thus enable him to get a "corner" in the stock with greater facility. He thus attempted to make the court instrumental in forcing Drew into a position where he would be obliged to commit financial suicide.

The Erie Ring had managed to get legally around what in reality was an over-issue of Erie stock and bonds in the following subtle manner:

There was a statute of New York which authorized any railroad to create and issue its own stock in exchange for the stock of any other road under lease to it. The Ring had

obtained the Buffalo, Bradford & Pittsburg road, which was comparatively worthless, for carrying out this scheme. The Erie management then set about supplying themselves with the amount of Erie stock required, by leasing their own road to the road of which they were directors. They then created stock and issued it to themselves in exchange under the authority vested in them by law.

The nominal price of the road with which they worked this game of legerdemain was $250,000. They issued bonds in its name for two millions of dollars, payable to one of themselves as trustee.

Vanderbilt, before he could get a "corner" in Erie, had to place a limit to the issue of the stock. Otherwise he would have been throwing away millions, like pouring water into a sieve, in his attempt to make a "corner."

Drew was enjoined by the Commodore to return to the Treasury 68,000 shares of the capital stock of Erie. This was the amount that was said to remain in the unsettled transactions of the Erie corner of 1866. This was the sword of Damocles which Vanderbilt had suspended over Drew's devoted head.

Vanderbilt thus undertook to play the double game of manipulating the courts and the stock market at the same time, and against wily opponents, who were experts in both operations.

There were at this time three competitors for the possession of Erie in the field. The Drew party, the Vanderbilt party, and the Boston, Hartford and Erie party. Drew had tried to appease Vanderbilt to some extent, and had an interview with him at Vanderbilt's own house prior to the election of the Erie directors. He agreed to "let up" on Vanderbilt, and offered him greater swing in purchasing Erie, while, on the other hand, Vanderbilt consented not to press the proceedings in court against Drew.

Before this, the Boston party and Vanderbilt had been fixing matters to oust Drew from the Erie directory. Now, Vanderbilt changed his tactics, and resolved to let Drew remain. The Boston party was with him, but to keep up the appearance of what had been formerly determined, the new board was to be elected ostensibly without Drew, and a vacancy created afterwards by which he could be chosen in the board. This method of whipping the Devil around the stump was adopted to put public opinion off its guard, and help to forward Vanderbilt's purposes of consolidation. The election scheme was successfully effected, but the ruse, though well conceived, fell far short of accomplishing its designs.

There were wheels within wheels during this speculative deal. Drew and Vanderbilt entered into a secret alliance to exclude the Boston party, who was Vanderbilt's ally. The new board was elected, leaving Drew out. This was a surprise to Wall Street, but a greater surprise was in store for it when a vacancy was created the next day, and Drew was re-elected to the Erie Board of Directors. The Street was confused and

confounded, and at a loss to know how to act, and the Boston party was groping around to find out where it stood. Frank Work was elected to the Erie Board in the Vanderbilt interest. A pool was then formed to put up Erie, as it was in a very depressed condition. Drew was to manage the pool and manipulate the market.

The proposed plan for consolidating with the Vanderbilt interests failed because the Erie people said that the great railroad king would only consent to give them one-third of the earnings, while they contributed more than half to the pool. So, when this scheme collapsed, Vanderbilt went on the speculative war path, and determined to snatch Erie from the hands of the Ring in the way he had obtained Hudson. He began his operations about the middle of February, 1868, and pursued his policy in the courts for the purpose of limiting the apparently unlimited supply of Erie stock.

In the leasing process above referred to with the Buffalo, Bradford & Pittsburgh, the Erie clique added $140,000 a year to its income.

Mr. Work got an additional injunction to prevent Erie from issuing stock in addition to the 251,058 shares which had appeared in the previous report of the road, and forbidding a guarantee by Erie of the bonds of any other road, and Drew was further restrained from any transactions in Erie until he should return the 68,000 shares of capital stock to the treasury.

It will thus be seen that Vanderbilt had taken very rigid measures to "tie up" the hands of the veteran speculator.

The case was set down for hearing in the court of the immaculate Judge Barnard, on the 10th of March. When Vanderbilt thought he had everything fixed to force Drew to ruin himself by the return of these shares, which would enable Vanderbilt to effect his "corner," he was checkmated by a counter injunction issued in the interest of the Erie people by Judge Balcom, of Binghamton, which stayed all proceedings in Barnard's court.

Richard Schell then applied to Judge Ingraham and got out another injunction in the interest of the Vanderbilt party, staying all proceedings before Judge Balcom.

In the meantime the Erie directors were busy preparing their new issue of stock, despite the injunctions, in order that the bulls of the Vanderbilt party might be generously fed with Erie when the opportunity should arrive.

The Executive Committee of Erie resolved to issue bonds for improvements, extensions and steel rails. The bonds were convertible into stock at not less than 72½. Five millions of these were manufactured by the Erie paper mill and printing press, to be exchanged for Vanderbilt's good, solid cash.

A great difficulty presented itself at this juncture, which, even to the majority of clever speculators, would have been insurmountable. The genius of "Jim" Fisk was

called in to cut the Gordian knot. The certificates of the new Erie shares were in the hands of the secretary of the company, but he was enjoined from issuing them. They had been made out on Saturday night. On Monday the secretary directed a messenger, in the Erie office in West street, to take the books containing the certificates to the transfer office in Pine street. The messenger took the books and walked out. He was hardly a minute absent when he returned, apparently frightened, without the books. He stated that Mr. Fisk, who had been standing at the door, took the books from him, and ran away with them!

The certificates were then where no injunction could molest them. The next day the convertible bonds were found upon the secretary's desk. In a day or two afterwards the certificates appeared in Wall Street. An order was obtained from Judge Gilbert enjoining all the previous orders of that legal luminary, Judge Barnard. Mr. Drew then threw 50,000 shares of Erie stock on the market. The boldness of the operation threw the Vanderbilt brokers off their guard, for it never struck them for a moment that Drew would risk contempt of court, and use the new issue of Erie in the face of an injunction, so they eagerly devoured the fresh bait before they got time to examine the quality of it or suspect its origin.

Erie had opened at 80, and advanced to 83. When the facts became known the stock broke, and declined to 71; but under heavy purchases by the Vanderbilt party, soon recovered to 78. The "corner," however, was broken by the large blocks which Drew had thrown on the market, and Vanderbilt was signally defeated, and had a narrow escape from being completely swamped. The corner proved a boomerang to Vanderbilt. In his wrath he again applied to the courts. As the result, the Erie clique were obliged to fly and take refuge in Jersey City. Drew crossed the ferry heavily loaded with a big carpet bag, which contained seven millions, which had recently changed hands from Vanderbilt to himself in the cornering operation.

Gould and Fisk decamped by different routes. When the party had taken refuge in "Fort" Taylor (Taylor's Hotel), safe from the laws of New York, they determined that no papers should be served upon them, and gave strict orders to the host that they would not receive anything in the shape of letters or notes. Communications of all kinds were prohibited except through persons well known to the clique, and the waiters at the hotel were strictly enjoined to observe this rule, on pain of being discharged.

While Vanderbilt was working hard to reach the refugees through the courts, the Legislature and his detectives, he discovered a method of communicating with Drew in spite of the precautions with which the latter was surrounded. The Commodore's scheme would have done honor to a first-class Nihilist of the present day. He instructed a person in his service to play temporary detective, to go to the Taylor Hotel in the garb of a commercial traveler from the Far West, and to watch the movements of Drew, so as to get a note slipped into his hand in a way that he would be certain to read it.

The amateur detective watched for a day or two, and saw that his only chance of success was when Drew was at lunch, and that the person who waited on him must hand him the note. He saw the waiter, and told him what he wanted, and that when he should be discharged the Commodore would find him a better place.

The waiter agreed to hand Mr. Drew the note. Drew was enraged, sent for the host, and the waiter was instantly discharged, only to enter Vanderbilt's service, according to agreement, at much higher remuneration. The note of the Commodore, however, had the desired effect. What that note contained, probably, nobody but Vanderbilt and Drew ever knew. Though the friends of Drew attempted to frighten him from going by arousing his suspicions of being kidnapped, he came over to New York on the following Sunday and had an interview with the Commodore. The matter was fixed up between them, and while Gould and Fisk were fighting Vanderbilt tooth and nail at Albany, and Gould was arrested and arraigned for contempt of court and other high crimes and misdemeanors in the eyes of the Vanderbilt lawyers, Drew was left unmolested to pursue the even tenor of his way.

As treasurer of Erie, however, Drew took an active part in the progress of legislative matters. He was the first to see that Senator Mattoon, who was chiefly instrumental in organizing the Investigating Committee, wanted tangible recognition of his services before the Committee made its report. He thought he was using Mattoon, but the Senator used him, and gave his casting vote in favor of Vanderbilt, whom he used also, after the most approved method of Albany legislators. Mattoon was also found on the winning side at the end of the legislative farce, when the bill in favor of the Erie clique and its over-issue of stock was passed, and no doubt got his fair share of the half million with which Drew fortified Gould from the Erie treasury when this gentleman went to Albany to conduct the war in the Legislature against Vanderbilt concerning the extra issue of Erie stock.

CHAPTER XVI.

DREW AND THE ERIE "CORNERS."

A Harmonious Understanding with the Commodore.—How the Compromise was Effected.—An Interesting Interview with Fisk and Gould in the Commodore's Bed-Room.—How Richard Schell Raised the Wind for the Commodore.—Drew's Share of the Spoils.—He Tries to Retire from Wall Street, but Can't.—The Settlement Cost Erie Nine Millions.—Gould and Fisk "Water" Erie again, to the Extent of Twenty-three Millions, but leave Drew out.-"Uncle Daniel" Returns to the Street.—He is Inveigled into a Blind Pool by Gould and Fisk, Loses a Million and Retreats from the Pool.—He then Operates Alone on the "Short" Side and Throws Away Millions.—He Tries Prayer, but it "Availeth Not."-"It's no Use, Brother, the Market Still Goes Up."—Praying and Watching the Ticker.—Hopelessly "Cornered" and Ruined by his Former Pupils and Partners.

About the middle of April Drew emerged from his retreat in Jersey City, and appeared openly in Wall Street, apparently without any fear of arrest. Other members of the Erie clique had gone through the formality of purging their contempt of court, but had not made their peace with the Commodore, and things went forward without any special interruption or excitement until July, when a settlement was made with Vanderbilt.

It was agreed that the Commodore should be relieved of 50,000 shares of Erie stock at 70, for which he was to receive $2,500,000 in cash, and $1,250,000 in bonds of the Boston, Hartford & Erie at 80. It was further stipulated that he was to receive $1,000,000 for the privilege of calling on him at any time within four months for the remaining 50,000 shares of Erie at 70. He was allotted two seats in the Erie Board of Directors. All suits between the two high contending parties were to be dismissed and all offenses whatsoever relating to the case, in the language of the law, were to be condoned.

The manner in which the compromise was effected is not the least interesting part of the famous deal in Erie. Some time after Drew had got through his famous Sunday evening interview with the Commodore, paving the way for his partners, by weeping and showing other manifestations of deep contrition on account of his inglorious flight to Jersey City, Gould and Fisk came over early one morning to see the Commodore at his residence in Washington Place. Fisk told the story of meeting the Commodore with

great unction, in his bold, brazen and lively manner. “Gould wanted to wait,” said Fisk, “until the Commodore should have time to get out of bed, but I rang the bell, and when the door was opened I rushed up to his room. The Commodore was sitting on the side of the bed with one shoe off and one shoe on. He got up, and I saw him putting on the other shoe. I remember that shoe from its peculiarity. It had four buckles on it. I had never seen shoes with buckles in that manner before, and I thought, if these sort of men always wear that sort of shoe, I might want a pair. He said I must take my position as I found it; that there I was, and he would keep his bloodhounds (the lawyers) on our track; that he would be damned if he didn’t keep them after us if we didn’t take the stock off his hands. I told him that if I had my way, I’d be damned if I would take a share of it; that he brought the punishment on himself and he deserved it. This mellowed him down. I told him that he was a robber. He said the suits would never be withdrawn till he was settled with. I said (after settling with him) that it was an almighty robbery; that we had sold ourselves to the Devil, and that Gould felt just the same as I did.”

Among the friends who adhered to the Commodore in the trying hour of the “corner,” besides those mentioned, were William Heath, Richard Schell and his brother Augustus, and Rufus Hatch. Richard Schell was highly practical and remarkably shrewd in the aid which he offered the Commodore to obtain money for the speculative fight. He managed, through his tact and shrewdness, to get loans on Erie after the banks had absolutely refused to lend, on account of the over-issue of the stock. After this refusal, he made inquiry at the banks, and found that most of them had New York Central stock. He then went to a bank and said: “If you don’t lend the Commodore half a million on Erie at 60, he will put Central down to 50 to-morrow, and break half the houses on the Street. You know whether or not you will be among them.”

The threat was repeated at other banks, and, in almost every instance, had the desired effect, and the Commodore was supplied with the sinews of war, but he was only throwing away his ammunition.

The Erie stock from the inexhaustible fountain of over-issue was supplied to him without stint, and his attempts to “corner” the clique were absolutely futile.

While these gamesters were feeding the Commodore with this extemporized stuff to order, Fisk said: “If this printing press don’t break down, I’ll be d—d if I don’t give the old hog all he wants of Erie.”

The printing press did not break down, but did its work well until the Commodore was nearly “burst,” and had it not been for his indomitable courage and the hold he had acquired on the courts, he would have been bankrupt. His escape seemed almost a miracle to the people of Wall Street, and Gould and Fisk were not less surprised that they had met a foeman worthy of their steel. In spite of the fact that he spilled over seven millions like water, the Commodore managed to sustain the market through it all,

and prevented a crash that, in its local effects, at least, would have been as disastrous as that of Black Friday.

Certain innocent holders who had been badly crushed in the collision between the great leaders received a financial emollient for their lacerated feelings, amounting in the aggregate to $429,250. The Boston party, represented by Mr. Eldridge, was to be relieved of five millions of its precious Boston, Hartford & Erie bonds, receiving therefor four millions of Erie acceptances.

Thus, the settlement in full cost Erie about nine million dollars. The Erie stock and bondholders were saddled with this liability in defiance of law and justice.

Gould and Fisk pretended to be opposed to the settlement, leaving the public to infer that it was all the work of Drew with Vanderbilt. However this may have been, it was probably the best thing the others could have done to relieve themselves of their various complications at the time. No doubt the Vanderbilt note to Drew, for which the waiter was discharged from Taylor's Hotel, was at the bottom of the whole settlement.

Drew was left to enjoy his share of the fruits of the "corner," which netted seven millions, except that he had to pay into the Erie treasury the trifling item of $540,000 in discharge of interest and all claims or causes of action which might be presented against him by the Erie Company. The Erie Railway fell to the lot of Gould and Fisk as their share of the spoils growing out of the *entente cordiale*.

Drew then retired from Wall Street in the same way that Gould has so often retired since that time, except that Drew had probably an honest intention so far as it was possible for him to have such a conception of leaving the Street forever, but it would seem that he had not the power to do so. Once in Wall Street, always in Wall Street. It is like the doctrine of the final perseverance of the saints, as laid down in the Westminster Confession of Faith. It is impossible to get out of it when the speculator gets fairly into its fascinating grasp.

Drew might have enjoyed life and the consolations of religion on the few millions he had left if he had retired in company with his Bible and Hymn Book, to some lovely, secluded spot in the peaceful vales of Putnam county; but he was under the infatuation of some latent and mysterious force or attraction, the victim of some potent spell, like the one in whose weird grasp Nancy Sykes was firmly held when she essayed to get away from the murderous "Bill," as described by Dickens in Oliver Twist.

Drew came back to Wall Street, and saw and was vanquished, quite unlike Cæsar.

When he returned to the "Street" after a few months absence, the scene was greatly changed. His two pupils had shown themselves to be such apt scholars, that in the interim they had exceeded the wildest dreams of avarice that ever their able preceptor had conjured up or inculcated. In four months Gould and Fisk had inflated the capital

stock of Erie from 34 millions to 57 millions. No doubt, Uncle Daniel was astounded at their progress, and his feelings can be better imagined than described when, in the presence of this marvellous increase of wealth, he reflected that he was no longer treasurer of Erie, and had neither lot nor part in its unprecedented prosperity.

His natural propensity to operate, however, was still strong, but when he again tried his hand at speculation, it seemed to have lost its cunning, and he felt almost as much disappointed as Rip Van Winkle did when he awoke in Sleepy Hollow, after his twenty years' nap, and began to examine the changed aspect of the country in the vicinity of Irvington, now Gould's country seat.

The speculative tactics in operation had been changed, and he soon found that it was a losing game to go on the bear side of the market. He was invited into the pool by his old partners, to have a little practice at the popular game of spider and fly. Drew had been the spider for a long time who had inveigled the unwary flies from every direction into his insidious net. He was now asked to assume the role of a fly, while his former pupils played spiders. In plain terms, he was coolly requested to go into a "blind pool" in Erie, deposit four millions, shut his eyes and open his mouth, leaving the Erie sharpers to put taffy or candy into it, just as they pleased.

He was no longer to have the privilege of pulling the wires, nor the wool over other people's eyes. On the contrary, he was to be one of the puppets that should dance to the music of Gould and Fisk, and let them pull the wool over his eyes. He was not to ask any questions, but pay his money and take his choice, that is to say, whatever Gould and Fisk chose to give him. The terms were rather humiliating, and on reflection, Uncle Daniel revolted. He did not see the point of paying the piper without having the privilege of choosing the tune. He, therefore, withdrew his funds after losing a million, and undertook the task of bearding these two young lions in their den—the den which he had constructed for them, and the two young lions which he had so carefully nurtured to destroy him. They were very wroth with him on account of what they regarded as his treachery, which virtually consisted in his refusal to be totally devoured by them. The fact is, however, Daniel could not have been true to any one, any more than they. "Can the Ethiopian change his skin, or the leopard his spots?"

After considering the matter prayerfully, as he always did in such emergencies, he resolved to operate alone, and the oracle told him to go on the short side. It was evident that the Gods had doomed him to destruction, so he rushed in madly to sell the market, which moved persistently upward.

In this emergency he took counsel of a Christian brother, who advised him to pray. He tried hard to pray, but his irresistible desire to keep constant watch on the tape of the ticker, to see the quotations, evidently distracted his devotions. This was probably the first time that he lost faith in the power that moves the arm that moves the world. He went to his Christian brother with tears in his eyes, saying: "It is no use, brother; the

market still goes up." And Uncle Daniel ceased to pray, and despairingly fixed his attention on the ticker.

Daring November, Drew contracted for the delivery of 70,000 shares of Erie at current prices. It was then in the vicinity of 38. He proceeded on this line of operation until he was hopelessly "cornered." He then applied to the court. Application was made for an injunction in the name of August Belmont, but Gould and Fisk offset it by applying for another injunction to their faithful Barnard. That upright Judge not only granted an injunction restraining all suits brought against his two eminent protegés, but appointed Gould Receiver of Erie. He also gave authority to the directors of Erie to use the funds of the corporation to purchase and cancel 200,000 shares of stock, the legality of whose issue had been questioned, at any price less than the par value, without regard to the rate at which it had been issued.

Gould and Fisk had issued these shares in the bear interest at 40, ran the stock down to 35, and now obtained the power to purchase it back at par in the bull interest. This they did by the authority and permission of a Judge of the Supreme Court, in spite of the law prohibiting members of corporations to deal in their own stock. So these two great manipulators "cornered" their old friend and teacher, Drew, by legally over-riding the law.

Erie became scarce after this skilful movement was performed, and was selling at 47. Drew made desperate attempts to cover at this price, but the stock ran up to 57 between Monday and Wednesday. Wall Street was in a terrible ferment, and, as the newspapers say, the greatest excitement prevailed. Erie made still another leap and reached 62. It was evident that it was bound to keep on the upward grade, and there was no apparent relief for Drew, at least for two or three days, when an incoming steamer was expected to have a considerable amount of Erie on board. It was manifest, however, that by that time Drew would have reached the end of his millions, and probably most of his credit would have vanished with his own filthy lucre. His oppressors were bearing down upon him with all their might, and were evidently determined to make short work of him.

The struggle waxed hotter as the hour of three in the afternoon approached, and these two young lions of speculation were determined to crush the old bear unmercifully and effectually.

When Drew was apparently on the very brink of utter financial destruction, and almost at the close of the market, two events happened that preserved him from total annihilation. There had been 300,000 shares of Erie issued in ten share lots, which the operators thought were safely secreted in London and Amsterdam. When the stock reached 60 these ten-share lots began to come out. It turned out that most of them had never left home, but were securely had by tradesmen, mechanics, grocers and small bankers and brokers. They were thrown on the market with great rapidity to realize

handsome profits, and the efforts of the clique to absorb them before they got into the hands of Drew, made serious inroads on the reserve funds of the champion operators. As troubles never come singly, at this new juncture the banks refused to certify their checks. Drew was, therefore, enabled to make good his contracts at 47, but speculatively speaking, he was ruined. He came pretty near bringing down his desperate assailants, however, in his sad and frightful fall. The stock then fell to 42, and Erie became a drug in the market. The victors had got the spoils, but they paid dearly for them, and had come pretty near being destroyed in the moment of their triumph. They had purchased their Erie at "corner" prices, and they were obliged to carry it, for nobody wanted it. Added to this Erie was struck from the Board for a time, and had it not been for the gullibility of our English cousins, this stock would have ceased to be a disturbing element in the market for a great while longer.

Although old Drew was badly treated, yet there was little sympathy for him, since he had merely become the victim of his own avarice, vacillation, treachery and scheming to catch others in the same net.

He could not justly complain of his former partners, and Fisk told him so, for their methods of operation, and the immense inflation of the Erie stock by which he was ruined had been accomplished by the machinery which he, himself, had set in motion, only his *ci-devant* colleagues had improved upon it, and had received various new patents on inventions and improvements, which they had joined to the old one invented by "Uncle Daniel," mating one of the best combinations for the purpose of creating and working "corners" that had ever been devised in Wall Street.

But the unkindest cut of all was the way in which Fisk taunted him, on the eve of his crushing defeat, with the absurdity of his complaints about the management of Erie matters.

"You should be the last man," said this worthy pupil, sneeringly, to his dear old preceptor, "that should whine over any position in which you may be placed in Erie."

It was a sad truth, heartlessly uttered by the generous "Jim." Drew had no mercy on others, and could not expect to be shown any of that "twice blessed quality" towards himself.

The private scene in the Erie office between old Drew and Fisk and Gould, just prior to their final and victorious charge upon him, was deeply pathetic, yet none of the three showed more conspicuously that they were destitute of that proverbial honor among "boodlers" than Drew himself. He had secured Vanderbilt to assist him in the courts, and also in the market, against the machinations of the Erie clique, and then, turning around, he went straight to Gould. and to him betrayed his ally and the plans he had arranged with him, expecting mercy from his old colleague by this dastardly act of humiliation and deception.

He must have lost his head at this crisis, for he ought to have known Gould better. He begged and pleaded with Gould and Fisk, and was ready to throw himself at their feet. He implored them to join him, with the remnant of his fortune, in giving the old paper mill another turn to grind out more Erie stock, that he might be permitted to emerge from that cruel "corner" in which he was placed like a scorpion girt by fire, brooding over his guilty woes.

But his pupils proved that they had profited only too well by his instructions. Just as he would have acted under similar circumstances, they were perfectly relentless. They seemed to be a double incarnation of Shylock personified, or two Dromios bereft of conscience and human sympathy. Drew had no Daniel but himself, to come to judgment. There was no fair Portia to plead his cause, and if there had been such an angelic creature in the case, though she might have "broke up" Fisk, it is almost certain that Gould would have successfully resisted her charms.

When Drew saw they were implacable he bade them good night, and with the courage of despair returned to the charge in Wall Street the next morning, with the results which have been briefly related. He lost nearly two millions in that fatal struggle.

CHAPTER XVII.

INTERESTING EPISODES IN DREW'S LIFE.

Incidents in the Early Life of Drew, and How he Began to Make Money.—He Borrows Money from Henry Astor, Buys Cattle in Ohio and Drives them over the Alleghany Mountains under Great Hardship and Suffering.—His Great Career as a Steamboat Man, and his Opposition to Vanderbilt.—His Marriage and Family.—He Builds and Endows Religious and Educational Institutions.—Returns to his Old Home after his Speculative Fall, but can Find No Rest so Far away from Wall Street.—His Hopes, through Wm. H. Vanderbilt, of another Start in Life.—His Bankruptcy, Liabilities and Wardrobe.—His Sudden but Peaceful End.—Characteristic Stories of his Eccentricities.

I had intended at first to give only a sketch of the salient points in the speculative career of Drew, but, on reflection, I find that the lives of great men all remind us that people want to know a great deal of minutiæ concerning men who have made their mark in this world. Our enterprising newspapers are encouraging this laudable curiosity more and more every day. So in the case of Drew, I must try to furnish answers to questions that may be asked about him in order that popular expectation may not be disappointed. I shall endeavor to anticipate what the reader may naturally want to know when he comes to the end of Drew's great speculative ventures. One of these questions will probably be, what kind of a boy was Daniel Drew, and how did he begin to make money?

It goes without saying that Drew was the most unique figure that Wall Street has ever seen, and a characteristic specimen of one kind of American thrift, enterprise and speculation. Every side of his many-sided and peculiar character, therefore, is of interest as the representative of a class to the reader who sets his heart on making money, and the majority of readers have this weakness. He is of special interest to all speculators not only in this country, but throughout the civilized world. These facts constitute my apology for dwelling so long and minutely on his characteristics. I have an idea that his life and adventures will be read with deep interest many years hence, and help to prolong the existence and reputation of this book. They will also assist to immortalize the man who was one of the most wonderful products of American civilization, and who could hardly have been evolved from any other soil or clime.

Such prodigies of success cause the members of the older social fabrics to stare with astonishment at the stupendous capabilities of our great country.

There is nothing interests people so much as the start in life, probably because there are so few who consider themselves able to get a good start. So far as I can learn, in the case of Daniel Drew, the boy was father to the man. He worked on a farm, going to school at intervals, where he was unable to learn anything, except that he obtained a notion of the current theological ideas of that day, until he was fifteen years of age, when his father died, leaving him, a younger brother and their mother to shift for themselves on a poor, small farm. His father was of English and his mother of Scotch descent.

In his seventeenth year young Drew enlisted as a substitute in the State Militia, which had then been called into service on account of the second war with England.

The regiment was placed at Fort Gansevoort, on the Hudson, opposite New York. Hostilities ceased between this country and England a few months after his enlistment, and the regiment was mustered out. Daniel returned home. His mother had taken charge of his substitute money, which probably did not exceed a hundred dollars, the amount with which his great rival, Commodore Vanderbilt commenced life, and which he earned from his mother by ploughing and planting a field.

"I want my substitute money," said Drew to his mother, one day shortly after his return. "What are you going to do with it?" queried the old woman, for being of Scotch descent, she was quite as thrifty in looking after the pennies as her American contemporary, old Mrs. Vanderbilt. They both had the gripping sense by nature, and to this transmissible quality may probably be attributed, in a large degree, the financial success of both of their sons.

"I am going to buy cattle, and sell them in New York," replied Daniel.

"Are you sure you will not lose money by it?" rejoined his mother.

"I am sure I will make money," he said.

He started to purchase cattle in the country and to sell them in New York. His profits were at first very small, especially as his capital was so limited. He soon discovered that if he could purchase his cattle in Ohio he would be able to increase his profits largely, and he applied to Henry Astor, a butcher in Fulton Market, and a brother of the great millionaire, John Jacob Astor, for a loan to speculate in Ohio cattle. Astor accommodated him, though he at first thought he was running a considerable risk. He was mistaken, for Drew made money and soon established his credit on a solid basis. He bought cattle throughout Ohio, and drove them over the Alleghany mountains. He is said to have been the first drover who attempted this daring experiment. It required sixty days then to make the journey. He suffered great hardship and privation, and would

sometimes lose a third part of a drove of 600 or 1,000 in crossing the mountains. Yet, as cattle were very cheap in Ohio, his profits were still very large.

One terrible night, in a terrific thunderstorm, the tree under which he took shelter was shattered to splinters, his horse was killed under him, and he himself was struck senseless for a time. But no hardship or privation could deter him in the pursuit of making money. He afterwards extended his operations to Kentucky and Illinois.

In 1829 Drew opened a cattle yard at Twenty-fourth street and Third avenue and ran the Bull's Head Tavern. He went into the steamboat business in 1834. Vanderbilt had then been seventeen years in the business. *Westchester* and *Emerald* were the names of his first two boats, and they ran between New York and Albany, in opposition to the Vanderbilt Line. Drew reduced the fare from three dollars to one, and attempted to freeze out Vanderbilt. The war of rates became so fierce that people were carried 100 miles between these two cities for a shilling. Drew added the *Knickerbocker*, the *Oregon*, *George Law*, *Isaac Newton* and the *New World* to his river fleet, and became quite a formidable competitor of the Commodore.

In 1840 Isaac Newton organized the People's Line on the Hudson, of which Drew became the largest stockholder. The boats *St. John*, *Dean Richmond* and *Drew* were built. The *Isaac Newton* was burned and the *New World* was sunk.

When the Hudson River Railroad was opened, in 1852, Drew refused to sell out his stock. "You can regulate your fares as you choose," he said to the President of the Railroad Company, "but the only way you can regulate my steamboat fares is to buy the People's Line, and this I don't believe you have money enough to do." The railroad line merely stimulated traffic, as the elevated railroads have done in our day, and Drew was only a gainer instead of a loser by the apparent competition. He also controlled the Stonington Line for twenty years.

Drew made his debut in Wall Street in 1844, just thirteen years prior to my first appearance on the boards of this financial theatre, and he was quite a war horse in speculation when I entered the arena. He formed a partnership with his son-in-law, a Mr. Kelly, and Nelson Taylor, as stock brokers and bankers. Their business was large and their credit good. The firm continued for ten years, until it was dissolved by the death of his partners. Drew then became one of the most daring and successful operators in Wall Street.

Drew was married at the age of 25 to Roxana Mead, a farmer's daughter, by whom he was the father of three children, William H., Josephine, who died in infancy, and Catharine, who was married to the Rev. W. I. Clapp, a Baptist clergyman, who died and left his widow in good circumstances. So there were very little grounds for "Uncle Daniel's" dread that he should probably die in miserable destitution, as it seems that his two surviving children were very kind to him. His wife died in 1876.

Drew was a member of St. Paul's Methodist Episcopal Church of New York for several years. He contributed large sums to various religious and educational institutions, but like Wilkins Micawber, he usually paid the money in notes, which appeared in the schedule of his liabilities when he had lost his large fortune, and had become bankrupt. He founded the Drew Seminary at Carmel, for young ladies, at a cost of $250,000. He built the Drew Theological Seminary, at Madison, New Jersey, also at a cost of $250,000, and endowed it with a similar amount. He only paid the interest on the latter. He increased the endowment fund of the Wesleyan University, at Middletown, Conn., and the Concord Biblical Institute. He added $100,000 to the endowment fund of Wesley University, but only paid the interest on that also. These appear in the schedule, in the list of his unsecured claims. He owned several large grazing farms in Putnam county, but they were heavily mortgaged.

Drew had some intention of returning to his old home after the bankruptcy proceedings in 1876, to spend the remainder of his days there among his grandchildren. This desire shows that there was something inherently soft and good, after all, in his avaricious nature, and reminds me of the touching lines of Cowper on the same subject:

> "Be it a weakness, it deserves some praise,
> We love the play place of our early days,
> The scene is touching, and the heart is stone,
> That feels not at the sight, and feels at none."

He went out to Putnam county in 1876, when he was sick, but he was soon glad to get back to the city. He said: "I was troubled with visitors, some of 'em well on to 100 years old. Some of them said I bought cattle from them when I was young, on credit, and they wanted their bills. I kept no books, and how was I to know I owed 'em for them critters? It was dull outen thar," he continued, "and yer never can tell till the next day how 'sheers' is gone."

So Uncle Daniel came back and stopped at the Hoffman House, where he could have ready access to the ticker, and kept constantly posted on the price of stocks. His principal broker was Mr. David Groesbeck.

The city still seemed to have certain fascinations for him that the country was unable to afford. He often spoke regretfully, in his latter days, of being too old to retrieve his fortune. He said he longed for rest. Nothing seemed to weigh more heavily upon his mind than his inability to carry out the plans connected with his religious endowments, and he grieved deeply that he had not the means to return to Wall Street that he might have another lucky turn that would enable him to fulfil these religious obligations according to the original intention.

In the bankruptcy schedule his personal property is itemized as follows: watch and chain, $150; sealskin coat, $150; wearing apparel, $100; Bible, hymn books, &c., $130.

Although he was economic in his domestic expenses, he entertained friends liberally, and his house at the southwest corner of Seventeenth street and Union Square was always open to Methodist ministers, free of charge, from all quarters of the world.

Some years prior to his death Mr. Drew gave the following candid, succinct and pathetic account of his embarrassment to a journalist who interviewed him:

"I had been wonderfully blest," said Uncle Daniel, "in money making. I got to be a millionaire before I knowed it hardly. I was always pretty lucky till lately. I didn't think I could ever lose money extensively. I was ambitious of making a great fortune, like Vanderbilt, and I tried every way I knew, but got caught at last. Besides that, I liked the excitement of making money, and giving it away, and am glad of it. So much has been saved anyhow. Wall Street was a great place for making money, and I could not give up the business when I ought to have done so. Now, I see very clearly what I ought to have done. I ought to have left the Street eight or ten years ago, and paid up what I owed. When I gave $100,000 to this institution and that, I ought to have paid the money, and I ought to have provided better for my children, by giving them enough to make them rich for life. Instead of that I gave my notes, and only paid the interest on 'em, thinking I could do better with the principal myself. One of the hardest things I have had to bear has been the fact that I could not continue to pay the interest on the notes I gave to the schools and churches."

"I gave my son the old homestead," continued Mr. Drew, "and some other small property up in Putnam, where we came from, which I hope will make him independent at least. My daughter married a rich man, and when he died, leaving considerable property to five children, I was made executor of the will. For so great a trust as their property I was obliged to give security, which I did by making over to them this house where we are, and the North River steamboats, the Drew, Dean Richmond, St. John and Chauncey Vibbard. This security makes them whole, and I thank God that breach of trust is not on my conscience. Their mother, my daughter, is, of course, well provided for, through her children and deceased husband. My son's principal business is now in connection with the management of the boats, by which he is getting on very well."

After Drew's great disaster in the Erie "corner," he became a special partner in the firm of Kenyon, Cox & Co., and when this house failed, after the panic of 1873, Uncle Daniel was compelled to make an assignment. He had been for years on the losing side, having dropped between two and three millions in the Erie "corner" through the machinations of Gould and Fisk. Horace F. Clark and Gould had also cornered him in Northwestern to the tune of $750,000. After the panic he had made an assignment to Wm. L. Scott, of Erie, Pa., but was not legally declared a bankrupt until 1876. His liabilities were $1,074,131.83, and his assets were estimated at $746,499.46.

Like Vanderbilt, Drew kept his accounts in his head, and considered the whole paraphernalia of book-keeping a confounded fraud.

His failure, which at one time would have induced a panic, did not cause a ripple on the surface of speculation. After his discharge in the bankruptcy proceedings, he appeared to pluck up fresh courage, and said, "The boys think I'm played out, but I'll give 'em many a turn and twist yet." He was interested in Toledo & Wabash, Canada Southern, Quicksilver Mining Company and Canton (Land) Company stock.

Wm. H. Vanderbilt, who had received his early financial training as a clerk in Drew's office, still retained a kindly feeling for his old employer, and sometimes gave him "pints" as Drew called them, on which he made a little turn. It was said that Mr. Vanderbilt had intended to give him another start in life about the time Drew passed suddenly over to the majority. He died at 10.45 P. M., September 18, 1879, at the residence of his son, Wm. H. Drew, No. 3 East Forty-second street.

His death came without any prior warning. He had been apparently in his usual health during the day, and had dined with Mr. Darius Lawrence, of Lawrence Brothers, brokers in Broad street, at the Grand Union Hotel, at six o'clock in the evening. After dinner he returned to the house of his son. About nine o'clock he complained of feeling ill, but refused to permit anybody to sit up with him, saying he would call Mr. Lawrence, who slept in an adjacent room, if he should feel worse. About ten o'clock he went into Mr. Lawrence's apartments and said he felt much worse. Dr. Woodman, his family physician, was immediately summoned, but before his arrival Mr. Drew had expired. The cause of his death was apoplexy.

Among the numerous stories related of Uncle Daniel's eccentricities, one is noteworthy in relation to his habit of getting in a mellow mood when prayer failed to soothe him, and covering himself up in bed after any speculative disappointment. He was found in this condition one day at the Sturtevant House, the year in which he died, by two Wall Street acquaintances who called upon him, and were conversant with his peculiar habits. He had all the windows closed, so that the atmosphere in the room was stifling, and was enveloped in several pairs of double blankets. His friends called for a bottle of champagne, of which he refused to partake. When this was drunk they called for another, and left it with him, believing that when he was left alone he might be inclined to imbibe without any feeling of embarrassment.

Another story is related characteristic of Uncle Daniel's methods of making the best use of a secret, and any confidence that a person might foolishly repose in him, in a speculative deal. During the war a young man known as California Parker, who had more money than brains, began to buy Erie in the vicinity of par, and put it up to 120. He went to Drew and told him that he would let him in at fifteen per cent. below the market, if he would only aid him with a little money to carry the price higher. Mr. Drew blandly appeared to entertain the young millionaire's proposition favorably and Parker, on the

strength of that, continued the struggle until he had almost reached the end of his California gold. The next morning when he met Drew the latter told him that he was unable to raise the money, and appeared to be grieved at his disappointment. In the meantime Drew had instructed his brokers to sell Erie "short," knowing that Parker was unable to absorb any more of that precious paper, Erie stock. The market went down, Drew made a "scoop," and Mr. Parker retired from Wall Street a ruined, but a wiser man.

In personal appearance Drew was tall, strong and sinewy, and in his latter days his face was seamed with deep lines, indicating intense thought and worry. He had restless twinkling eyes, with a steady cat-like tread in his gait. His general demeanor was bland, good-natured and insinuating, with affected but well dissembled humility, which was highly calculated to disarm any resentment, and enable him to move smoothly in society among all shades and conditions of men. He has often been mistaken for a country deacon.

So, now, having revived and collated the chief incidents in the chequered career of this great speculative celebrity, I close this sketch with the ardent hope that he may have found that peace beyond the tomb which the ordinary speculator in Wall Street can seldom or never hope to achieve on this side of "that beautiful shore."

CHAPTER XVIII.

PANICS.—THEIR CAUSES.—HOW FAR PREVENTABLE.

Not Accidental Freaks of the Market.—We are still a Nation of Pioneers.—The Question of Panics Peculiarly American.—Violent Oscillations in Trade Owing to the Great Mass of New and Immature Undertakings.—Uncertainty About the Intrinsic Value of Properties.—Sudden Shrinkage of Railroad Properties a Fruitful Cause of Panics.—Risks and Panics Inseparable from Pioneering Enterprise.—We are Becoming Less Dependent on the Money Markets of Europe.—In Panics Much Depends upon the Prudence and Self-control of the Money Lenders.—The Law which Compels a Reserve Fund in the National Banks is at Certain Crises a Provocative of Panics.—George I. Seney.—John C. Eno.—Ferdinand Ward.—The Clearing House as a Preventive of Panics.

There are few subjects on which there is more loose theorizing than that of the origin and remedy of panics. These crises are commonly spoken of as accidental freaks of the markets, due to antecedent reckless speculations, controlled in their progress by the acts of men and banks who have lost their senses, but quite easily prevented, and as easily cured when they happen.

These are the notions of mere surface observers. They may be in a measure true, when applied to the markets of some of the older countries, whose business moves in long-established grooves and embraces but little of the risk attendant on new enterprises. In France and Germany, for instance, the hazards of business are almost entirely confined to the accidents of political events; and such nations are comparatively exempt from panics due to purely commercial causes. In the United States, panics arise, principally, from causes from which European countries are exempt.

Notwithstanding our immense population and the large measure of well-ordered consolidation that has been effected in our various interests, we are still a nation of pioneers. In every ten years, we now add nearly fifteen millions to our population, which means that each successive decade we are piling up the equivalent of a first-class European state upon our past marvellous accumulation of empire. Inseparable from this unparalleled national growth are great ventures and great commercial and financial

risks. Our new population has to subdue new territory. New lands have to be cleared; new mines have to be opened; new industries have to be established; new railroads have to be built; new banks created and new corporations founded. These new ventures are necessarily in a measure experimental. Some of them fail utterly; others succeed magnificently. They require large outlays of capital in advance of obtainable results. These outlays are, in many cases, met by borrowing; the loans being secured by liens upon the uncertain undertakings, and therefore lacking the stability of value that attaches to well developed investments.

We have thus a ceaseless stream of new issues of stocks, mortgages and commercial paper, and have, therefore, at all times outstanding a large amount of obligations which, from the uncertainty of their basis, are liable to wide fluctuations in value. Besides these absolutely new investments, we have also at all times an equal or larger amount of obligations issued against enterprises which, although not properly new, are still in an unconsolidated and experimental stage, and the value of which is, therefore, subject to wide fluctuations. Issues of this character naturally appeal to the adventurous instincts of our people and elicit a vast extent of speculative activity.

It is this peculiarity in the development and trade of the United States that renders our markets more exposed to panic than those of any other nation, and which makes the question of panics a peculiarly American one. In any and every commercial nation, trade is subject to regular successions of prosperity and depression. This oscillation results from, or constitutes a natural law.

The action of commerce, like the motion of the sea or the atmosphere, follows an undulatory line. First comes an ascending wave of activity and rising prices; next, when prices have risen to a point that checks demand, comes a period of hesitation and caution; then, care among lenders and discounters; then comes the descending movement, in which holders simultaneously endeavor to realize, thereby accelerating a general fall in prices. Credit then becomes more sensitive and is contracted; transactions are diminished; losses are incurred through the depreciation of property, and finally the ordeal becomes so severe to the debtor class that forcible liquidation has to be adopted, and insolvent firms and institutions must be wound up. This process is a periodical experience in every country; and the extent of the destructiveness of the crisis that attends it depends chiefly on the steadiness and conservatism of the business methods in each particular community affected. In addition to this ordinary and, I would even say, *natural* liability to commercial crises with a greater or lesser degree of panic, we, in the United States, have to stand the far more violent oscillations so inseparable from our great mass of new and immature undertakings.

In times of crisis, the obligations issued against such enterprises suffer instantly from the uncertainty about their intrinsic value. Holders are anxious to get rid of them; banks which have advanced money on them, call in their advances; and they become virtually

unavailable assets. Every panic that has happened since the beginning of the era of railroads in this country, has been intensified many-fold by the sudden shrinkage in the value of this class of assets; and it is precisely here that the aggravation and the chief danger of an American panic centres.

In view of these facts, what is the use of discussing the possibility of averting our periodic panics? Risks and panics are inseparable from our vast pioneering enterprise; and all we can hope is, that they may diminish in severity in proportion as our older and more consolidated interests afford an increasing power of resistance to their operation. I am disposed to think that, in the future, the counteraction from this source will be much more effective than it has been in the past. The accumulations of financial resource available for market purposes at our monetary centres are increasing at a very rapid rate. Evidence of this is seen in the fact that, while the magnitude of our corporate undertakings is augmenting every year, we are also every year becoming less dependent on the money markets of Europe, and our large corporate loans are now made principally at home. These accumulations afford elasticity to our financial system and serve as a buffer against the violence of great financial disturbances.

I do not see how we can in any other way satisfactorily explain how it is that, while we have had two distinct waves of commercial depression since the great crisis of 1873, such as have ordinarily been attended with more or less panic, we have had no disturbance that can be regarded as a fully developed panic. The only approach to it was the disturbance brought about by the Grant & Ward failure in May, 1884, which was merely a restricted and comparatively temporary affair.

But, whilst maintaining that panics cannot be avoided in a country situated as ours is in its present incomplete development, I cannot avoid expressing the opinion that conditions are permitted to exist which needlessly aggravate the perils of these upheavals when they do occur. In every panic very much depends upon the prudence and self-control of the money lenders. If they lose their heads and indiscriminately refuse to lend, or lend only to the few unquestionably strong borrowers, the worst forms of panic ensue; if they accommodate to their fullest ability the larger and reasonably safe class of borrowers, then the latter may be relied upon to protect those whom the banks reject, and thus the mischief may be kept within legitimate bounds. Everything depends upon rashness being held in check by an assurance that deserving debtors will be protected. This is tantamount to saying that all depends on the calmness and wisdom of the banks. They may easily mitigate or aggravate the severity of the crisis, according as they are prudently liberal or blindly selfish. It is, perhaps, safe to say, that the banks never do all they may; but the banks of this city must be credited with having shown great sagacity under repeated derangements of this kind within the last twenty-five years. They have largely succeeded in combining self-protection with the protection of their customers;

and the antecedents they have established will go far toward breaking the force of any future panic.

But, unfortunately, the law imposes restraints upon the national banks which seriously interfere with the wise discretion of those institutions. As the law now stands, the banks are liable to be wound up at the order of the Government if they permit their lawful money reserves to fall below 26 per cent. of their legal deposits. This establishes a "dead line" which is so dreaded when approached that it becomes almost a panic line. When that limit is reached, the banks are compelled to contract their loans; and, in certain conditions, the contraction of loans means forcible liquidation, without regard to consequences. Thus the very contrivance designed to protect the banks becomes a source of most serious danger to their customers and therefore to the banks themselves; and, in times of monetary pressure, it is the most direct provocative of panic. Were the banks allowed to use their reserves under such circumstances, a fund would be provided for mitigating the force of the crisis, and the danger might be gradually tided over; but, as it is, the banks can legally do little or nothing to avert panic; on the contrary, the law compels them to take a course which precipitates it; and when the crash has come, they have to unite in common cause to disregard the law and do what they can to repair the catastrophe that a preposterous enactment has helped to bring about. This is one of not a few unwise restrictions upon our national banks which needs to be stricken from the statute book. These periods of the breaking-down of unsound enterprises and of the weeding out of insolvent debtors and of liquidation of bad debts can never be wholly averted; nor is it desirable that they should, for they are essential to the maintenance of a sound and wholesome condition of business; but it is a grave reproach to our legislators if, when the day of purgation comes, the law treats the deserving and the undeserving with equal severity.

George I. Seney.

The most prominent characters in the short lived panic of 1884, as every observing person knows, were Ferdinand Ward, James D. Fish and a few others who acted minor parts in connection with the methods of financiering which precipitated the crisis in Wall Street.

There are many people who think that Ward—the Young Napoleon of finance, as he was popularly called—was able to dupe everybody, his accomplices included, and that he was chiefly responsible for all the trouble. But this is an exaggerated and unscientific view of the case.

Among the financiers who came to grief in the general embarrassment caused by the peculiar methods of the two financiers referred to, was George I. Seney. Seney gave his money away, and it was placed in the wrong quarters for any tangible return. He was a great patron of the churches and religious institutions. If he had studied the life of Daniel Drew, he might have discovered that investments in such enterprises as these were not particularly profitable. In his financial difficulties, Seney was left high and dry without friends who would come to his rescue. The result was, that the two financial institutions, the Metropolitan Bank and the Brooklyn bank with which he was thoroughly identified, had to go under as the result of Mr. Seney's misfortunes. And an insurance company in Brooklyn, which had loaned about all of its surplus to Mr. Seney, taking Metropolitan Bank stock as collateral, was swamped as well.

There are few of the speculative magnates who succumbed to the crash of 1884, whose financial histories are more interesting than that of Mr. Seney. He is the son of a Methodist minister, and was born at Astoria, Long Island, about sixty years ago. He has always manifested the deepest devotion to his paternal church, and in the very height of his prosperity the church was the first object of his financial care. He was educated at the University of the City of New York, and shortly after he graduated, and when about 22 years of age, entered the Metropolitan Bank as a clerk. He was afterwards teller and then cashier. This was when Mr. Williams was President and when Mr. Jacques was Vice-President. Mr. Jacques resigned that position several years ago and made a prolonged journey to Europe. Mr. Williams died a few years ago, and Mr. Seney became his successor as President of the bank.

Mr. Seney's wonderful financial abilities were a comparatively recent outgrowth of his mental evolution, at an age when very few men exhibit signs of new developments.

Up to a date shortly prior to the panic, he was generally regarded as slow and phlegmatic, without manifesting any special parts that indicated superior brilliancy as a financier. He first distinguished himself in Wall Street during the speculative furore of 1879, and came to the front then with sudden and surprising activity. He carved out an original course for himself in speculation—so original, in fact, as to stamp the enterprises with which he became identified with his name. The Seney properties became almost as familiar to the financial world as the Goulds, the Vanderbilts and the Villards.

Mr. Seney's chief securities (so-called through the courtesy of speculative parlance) were Ohio Central, Rochester and Pittsburgh, East Tennessee, Virginia & Georgia, and the celebrated "Nickel Plate" Road. These were known as the Seney Syndicate properties, and the system of handling them was entirely novel in the history of Wall Street, causing the financial veterans of Wall Street to stand and stare at the boldness and rapidity of the Seney movements.

Instead of starting with moderate issues in amount, as has usually been the custom of most men handling railroad and telegraph properties, and doing the watering process by degrees, Mr. Seney boldly began the watering at the very inception of the enterprise, pouring it in lavishly and without stint. There was nothing mean or niggardly about his method of free dilution, the sight of which threw some of the old operators into a fit of consternation. The stocks were strongly puffed, and as they were so thoroughly diluted their owners could afford to let them get a start at a very low figure. The future prospects of the properties were set forth in the most glowing colors, the public took the bait, and the stocks became at once conspicuous among the leading active fancies of the market.

The cause of the vigorous life and amazing activity so suddenly imparted to the stocks of the Seney Syndicate can only be revealed by a careful perusal of Mr. Seney's checkbook, which, if still in existence, will show commissions paid for the execution of the orders to buy and the orders executed to sell, both by the same pen and in the same handwriting.

These transactions, in the language of the "Street," are called washed sales. In this way Mr. Seney was understood to have made a very large amount of money, and from being almost one of the poorest men in Brooklyn, he soon became marked as the richest. While he continued to thrive it was a singular fact that the majority of his financial friends seemed to fall into a decline.

When the affairs of the Seney enterprise were wound up, it was discovered that these people had little left except the certificates which bore the high-sounding term of the Seney Syndicate Property.

One peculiarity about Mr. Seney in his social relations was, that while he appeared almost bereft of sympathy for used-up friends whom his schemes had ruined, he drew largely on his immense gains for philanthropic purposes, and in the aggregate must have distributed over $2,000,000 in a very magnanimous manner.

It would seem that Mr. Seney at one time aspired to be a great philanthropist, and had it not been for the unfortunate exposé which was the result of the panic, he might one day have stood in as high and lordly a position as the renowned Peabody, with even a greater reputation as a financier. It is sad to picture the contrast presented by the *denouement* with what might have been, in a career which began with so much promise, dating from the time that Mr. Seney was installed as President of the Metropolitan Bank, whose standing and credit were the highest in the State.

Mr. Seney's speculative career affords an example of the way in which this kind of speculation reflects on the stability of our best banking institutions. The lesson is one that should be carefully taken to heart by the financiers of this country.

It is due, however, to Mr. Seney to state that he alone was not responsible for the misfortunes of the Metropolitan Bank, although he was the ruling spirit; for it could hardly be possible that the directors of that institution could have been ignorant of its affairs in connection with the Seney speculations. The Metropolitan Bank cannot be compared with the Marine Bank, which met a similar misfortune, for it was no family affair, and Mr. Seney had none of his relatives connected with it, as Mr. Fish had with the Marine Bank.

It appears that it was chiefly owing to the fact that Mr. Seney had so little personal interest in the Metropolitan Bank that he was so anxious to gut the concern, knowing that the loss would fall upon others.

The most important point for speculators and investors, however, connected with the enterprises of these men is, that the terrible shrinkage of Stock Exchange values at the time, amounting to over $1,000,000,000, was in a large measure brought about by a foregone conclusion on the part of the sagacious bear cliques that disaster would sooner or later overtake the institutions over which Mr. Seney and Mr. Fish presided.

This should afford a wholesome lesson, through the medium of practical experience, to speculators and investors for all future time. For this very reason the facts are worthy of being put on permanent record as a reminder and a guide, particularly to Wall Street men, who are too often prone to forget the past and thus leave themselves liable to be caught in a similar net again.

The transactions of the four prominent speculators who played the most conspicuous part in the events which resulted in the panic of May, 1884, should be preserved for reference, as a guide when similar cases arise, for in spite of the deep disgrace, shame and misery that have followed in the wake of their enterprises, these men will have

hosts of imitators for many years to come. Ward, Fish, Seney and Eno, with probably the one exception, Fish, are, by many, considered smart men, who simply had the misfortune to become involved, but who had a fair chance of coming out of all their troubles, great millionaires and publicly honored for their ability and success.

It must be admitted that there are some examples in the financial world whose careers will fully support this theory and belief but they are the exceptions which only prove the rule in speculation, as in other lines of business, that "honesty is the best policy." These men, who have been apparently so successful through dishonest methods, are never free from dread of being tripped up at any period of their inflated prosperity. They are always subject to be called upon by the application of the stern methods of honest financiering to give an account of their stewardship, and to have the transactions of a lifetime eventually gauged by the standard of public honesty. It is the winding up that tells the tale, and exposes the duplicity of the ablest financiers, who vainly imagine that dishonest methods will always prevail.

JOHN C. ENO.

Of the four famous "financiers" mentioned who were most prominent in the Summer panic of 1884, the speculative history of John C. Eno was in some respects the most remarkable and most interesting.

Eno was a young man, not more than twenty-six years of age, and a representative of that class of ardent and youthful speculators who plunge into the market with all the recklessness incident to young and sanguine imaginations, with many roseate schemes of wealth and greatness, for which inexperienced youth is proverbial. Eno was a victim of that rashness, impulsiveness and desire for extravagance, by which the possessors of these attributes frequently get themselves and many of their associates embroiled in numerous difficulties and embarrassments.

Another point of interest in the curious career of Eno was his position as President of the Second National Bank of New York, up to the time of the panic. Seldom does it fall to the lot of a youth of his tender years to have conferred upon him a position of such responsibility and dignity. The manner in which he made use of this position of trust, for appropriating money which did not belong to him, was notable for its peculiar ingenuity.

Most of the money lent by the bank was upon collateral securities, which, for convenience, as well as for safety, were kept, not at the bank, which was situated under the Fifth Avenue Hotel, but in a vault down town.

The capital stock of the bank was $100,000, and it had $4,000,000 of deposits, all of which was appropriated to speculative use by this smart young man, who decamped to Canada in company with a Roman Catholic priest.

Eno happened to have a rich father, who had made his money by thrift and economy during a long and prosperous life. To his credit, it must be said, that he came promptly to the rescue of this wayward and erring son, and paid the bank, of which he was director, three and one-half millions of dollars, on condition that the other half million should be contributed by the other directors, all of whom were very rich men. The directors willingly accepted the proposition, and thus the entire deficiency was made good by this generous arrangement, so that none of the depositors suffered the loss of a dollar.

The methods which Mr. John C. Eno, the President, resorted to for the purpose of capturing the institution root and branch, were ingenious and unique in their character, inasmuch as they had a tendency to inspire the fullest confidence in his vigilance and honesty regarding the affairs of the bank, instead of exciting any suspicion.

He discouraged the custom of keeping the securities of the bank in its own vaults, on the pretense that they were not sufficiently secure, and suggested that a safe should be rented in one of the down town safe deposit companies. This was done at his request. He argued, further, that the funds on hand being mostly family deposits, the depositors were not of a class that often required to be accommodated with discounts, and that the money was not taken by the bank to be locked up and kept on hand so as to have the name of having it, but to be used to the best possible advantage consistent with safety, to make profitable returns through interest. Consequently, he was allowed to use the money of the bank freely to make loans to Wall Street brokers on interest, with approved collaterals, and he represented to the directors that he was carrying out this course.

As the bank was located so far up town, (at Twenty-third street,) the distance from Wall Street made it extra hazardous to send securities back and forth, as adventurous thieves might seize the messenger on the way. This has frequently happened in this city. It was, therefore, desirable to have the safe deposit vault in close proximity to Wall Street. Of the combination to the safe in this vault Mr. John C. Eno was the sole possessor. Having things fixed in this manner it was indispensable that the President himself should go down town every day, so as to accommodate the brokers in the loaning of money. The directors were by this plan convinced that the risks, through the careful methods adopted by the President, were no greater than if the bank was located in Wall Street. These conservative methods, so skilfully planned and plausibly explained, increased the confidence of the directors in the able and careful management of Mr. Eno, and nobody was so much surprised as they, when the wool was raised from their eyes and they discovered that these various and ostensible "safeguards" were ingeniously devised for the sole purpose of screening their skilful inventor in the accomplishment of his huge defalcations.

Instead of loaning the money to Wall Street brokers, as he represented to the directors, he placed it as margin with his own brokers in various speculative ventures, and in that manner he made away with the entire $4,000,000 of the bank's deposits without exciting the least suspicion in the confiding breasts of the directors.

Such another instance of a clean sweep of the deposits of a bank by any of its officials, is probably not on record in the whole history of this kind of manipulation.

When the President represented to the Cashier, every evening, that he had lent specified sums on certain securities, his word was taken, and his checks for the amounts duly honored, without exciting a feeling of suspicion. Thus, by degrees the books of the bank showed $4,000,000 of call loans upon unexceptionable collaterals, when in fact the money had all gone to the President's private account.

Eno speculated with the greater portion of the money in stocks that were continually declining in price, and at length the time arrived when he was obliged to make a clean breast of the terrible condition of his affairs to his father. As I have stated, the old

gentleman, Mr. Amos R. Eno, nobly came to the relief of his prodigal son, and saved the bank from suspension.

As Eno senior is still worth about $25,000,000, he will never suffer the pangs of poverty through this great loss; but it will take a long time to enable him to survive the disgrace which the flagrant acts of his son have brought upon an honest and highly respected name.

THE CLEARING-HOUSE AS A PREVENTER OF PANICS.

In this panic the boldest and most remarkable instance of self-sacrifice on record was manifested by the Clearing-House banks. The panic of 1884, in its incipient stage, was different to any that had preceded it—at least any of the financial convulsions within my recollection—owing to the influence exercised upon it by the prompt and liberal policy of the banks. In every respect their action was notable, showing that those at the head of their management had largely profited by the lessons of former panics.

It was chiefly due to the masterly management of the banks, together with the magnanimous conduct of Mr. Amos R. Eno and his associate directors of the Second National Bank, that the panic was short-lived and so narrowly circumscribed. Had it not been for the determinate and instantaneous joint action of these parties there would have been a very serious crash, which would have been far-reaching in its results.

The results of the timely action taken on the part of the managers of these institutions in this crisis, proves that panics can be arrested by proper methods, and that quick and determined action is indispensable in the incipient stage of the emergency. If bank presidents could only be relied upon by the business community to act promptly and in unison with the business men, as they did in this instance, threatened panics need have but little terror for the people, who now live constantly in dread that these outbursts of business disaster may be sprung upon them at any time in any decade.

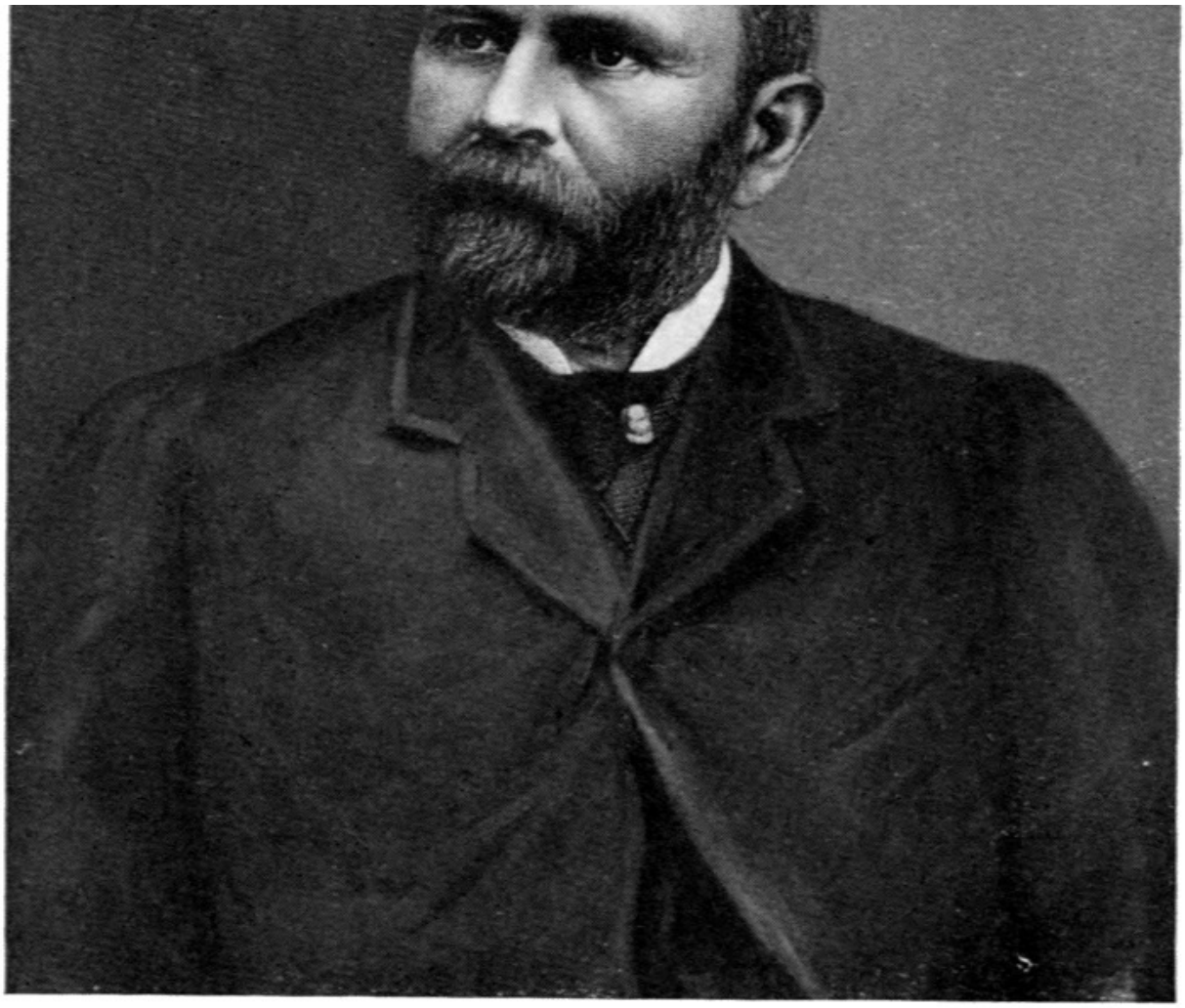
In the past history of panics bank managers, as a rule, have acted without system, without judgment and almost entirely without any well defined plan of action. There has been an astonishing lack of vigor in their methods and purposes, which were weak and vacillating in their character—frequently more like the acts of children than those of business men.

If the panic of 1873 had received the same vigorous treatment in its origin as that of 1884, it could just as easily have been checked as the latter, and the entire country would have been saved a large portion of the depressing effects of that serious collapse and its attendant disasters, which caused a state of general prostration for five or six years succeeding the event. These years, from a business standpoint, appear as a blank in the history of the country's progress. Indeed, they constitute a black mark.

In 1884 the bears indulged in much adverse criticism in regard to the action of the Clearing-House in taking Mr. Seney's pictures as collateral. At the time, this method of financiering was without precedent; but the result has fully justified the policy of the Clearing-House Association and its management. Such an exceptionally fine collection

of paintings in a country like this, now filled with connoisseurs who have sufficient wealth to gratify their tastes, stimulates the demand for these luxurious articles of value and transforms them into the best collateral to be found in the market. When the Seney pictures were offered for sale at auction they attracted greater competition in the purchase, at good prices, than could have been obtained for almost any class of railroad securities connected with Wall Street for months afterwards. While Mr. Seney seems to have been as much of a virtuoso as the late Mrs. Morgan, he did not permit his love of the beautiful to rise to such a pitch of exaltation as would cause him to pay the extravagant prices which almost ruined that eccentric woman. He never forgot that the picture had a "market" value, and never permitted his enthusiasm for the fine arts to make him a victim of sharp and unconscionable dealers. In fact he appeared to have been more wide-awake in picture buying than banking, and demonstrated that the former, rather than the latter, was his forte. If the bank presidents had not acted in the praiseworthy manner referred to, the financial revulsion of that panic would have been very serious. Several millions of deposits in the Metropolitan and Second National were promptly drawn out, and forthwith entered into circulation. This saved the community from the evil influence of a large number of panic makers in the persons of the depositors of these banks. Instead, therefore, of helping to stir up the excitement—as they would have done by pursuing the selfish policy formerly resorted to in similar circumstances—every person with funds in these two institutions, assisted very effectively to allay suspicion and create confidence, instead of distrust.

It was the disturbing element of panic makers, who generally constitute one of the most potent factors of disruption to be dealt with in seasons of business trouble, that caused the greater part of the trouble at the time of Jay Cooke's failure. The holders of the Northern Pacific bonds then, finding that the security was no longer equal to that of Government bonds (as they had been taught to believe), but was apparently worthless, became panic-stricken at their losses, and were all transformed into panic-makers, infusing the spirit of distrust into every person with whom they came into contact, until, like a fatal virus, it inoculated the whole country, spreading business disaster far and wide.



G. I. Seney

CHAPTER XIX.

OLD TIME PANICS.

THE PANIC OF 1837.—HOW IT WAS BROUGHT ABOUT.—THE STATE BANKS.—HOW THEY EXPANDED THEIR LOANS UNDER GOVERNMENT PATRONAGE.—SPECULATION WAS STIMULATED AND VALUES BECAME INFLATED.—PRESIDENT JACKSON'S "SPECIE CIRCULAR" PRECIPITATES THE PANIC.—BANK CONTRACTIONS AND CONSEQUENT FAILURES.—MIXING UP BUSINESS AND POLITICS.—A GENERAL COLLAPSE, WITH INTENSE SUFFERING.

The first panic of any great importance was that of 1837. This panic had its origin in a misunderstanding between the United States Bank, with headquarters located at Philadelphia, and President Jackson, whose election the officials of the bank had opposed.

The bank had been chartered in 1816, and went into operation in 1817. Its charter had twenty years to run. The bank had been kept in operation with varying success until 1830, when it was considered to be on a very stable footing, so that the Finance Committee of the United States Senate were enabled to testify to its efficiency as follows: "We are satisfied that the country is in the enjoyment of a uniform national currency, not only sound and uniform in itself, but perfectly adapted to the purposes of the Government and the community, and more sound and uniform than that possessed by any other nation."

This was the second United States Bank; the first had been chartered in 1791.

The bank applied to Congress, in 1832, for a renewal of its charter, which would expire in 1836. A bill was passed by Congress to re-charter the bank. The bill was vetoed by the President for the reason above stated. In the following year the Treasurer announced, by order of the President, that the public funds, amounting to $10,000,000, would be drawn from the custody of the bank because it was an unsafe depository.

The transfer of the Government funds to the State banks created great agitation in political and financial circles. The State banks, under this favorable turn of Government patronage, quickly assumed a thriving condition and began to expand their loans and circulation. This stimulated speculation in all parts of the country, but especially land

speculation. Large purchases of land were made from the Government, and payment was made in notes of State banks.

With the rapid sales of its lands the Government was soon able to pay off the public debt, and had still a surplus of $50,000,000 in the Treasury. This apparent prosperity continued for the next year or two, money was plenty and speculation was greatly stimulated and values became inflated.

The crisis came in 1837, and was hastened by the "Specie Circular," which was the last official act of President Jackson, and which pricked the bubble of inflation. This circular, which was issued from the Treasury in July, 1836, required all collectors of the public revenue to receive nothing but gold and silver in payment. The purpose of the circular was to check the speculation in public lands, but it caused too sudden a contraction in values, and created widespread disturbance in business circles generally.

The public protest against the "Specie Circular" was so strong and universal, that a bill went through both houses of Congress partially repealing it. "Old Hickory" did not yield to Congress, however, and though he did not veto the bill, he delayed signing it until after Congress adjourned, thus preventing it from becoming a law.

The State banks sought to tide over the troubles arising from the Jacksonian method of financiering by loans of public money to certain financial concerns and individuals, but this plan only made matters worse. There was a sudden expansion of paper money, which encouraged a wild spirit of speculation and excessive importations, and imparted an unnatural stimulus to business and commercial affairs. This state of over-trading and reckless speculation was suddenly checked by bank contractions, and in the spring of 1837 there were failures amounting to $100,000,000 in New York city alone.

The shock was communicated to the entire country, and a state of general paralysis in business circles ensued.

In the meantime the Bank of the United States continued in operation, and did not even suspend in 1836, when its charter expired, but obtained another charter from the State of Pennsylvania, which was entitled "An Act to repeal the State taxes on real and personal property, and to continue and extend the improvement of the State by railroads and canals, and to charter a State bank to be called a United States bank."

This United States bank did not expire until 1839, though it suspended specie payment with the State banks in 1837, when by this method they escaped a general collapse, and dragged through an agonising existence for two years longer. The circulating notes and deposits of the Bank of the United States were paid in full, but the $28,000,000 of capital were a total loss to the stockholders, who never obtained a dividend. Such were the good old times of financiering when General Jackson and his successor, Martin Van Buren, sat in the Executive chair.

The entire capital stock of the bank was $35,000,000, of which $7,000,000 were to be subscribed by the Government.

The real cause at the bottom of the failure of this bank was its error of mixing up its legitimate business of banking with politics and speculation, showing that keeping those matters as distinct as possible is one of the great secrets of success in each of them.

The panic of 1837 was further aggravated by the action of the Bank of England which, in one day, threw out all the paper connected with the United States. The banks on this side refused to discount paper, and as a retaliatory measure in self-defense the business men and speculators withdrew their deposits from the banks. This had a tendency to cripple business still more, and cause utter prostration. In their selfish frenzy bankers and merchants completed the ruin of each other, hastening the catastrophe from their inability to take a broad, cool and generous view of the situation.

There was a general suspension of the New York banks on May 10, 1837, and the banks throughout the country followed in their wake within a week afterwards, producing a financial convulsion unparalleled in the history of the Republic. The country was brought to the verge of bankruptcy from the effects of which a long time was required for recovery.

After two years' struggle to regain the credit and stability lost through false methods of financiering, the banks suffered a relapse, and underwent a severe process of weeding out the weakest, nearly one-third of which happened to be of this description. Out of 850 banks, 343 closed their doors permanently.

The Sub-Treasury at New York was established the following year, 1840, by an act of Congress which provided that the officers of the Government should keep the public funds in their own custody, that coin alone should be received in payment to the United States, and bank notes were to be no longer received and paid out at the Treasury.

While this short chapter deals with matters which go back beyond my personal recollections of twenty-eight years in Wall Street, still as the panic of 1837 was the first of the great upheavals of its kind, that had a marked effect on Wall Street affairs, it properly falls within the scope of this book to chronicle the chief incidents of that great business convulsion.

For this reason, therefore, I find room for it, in some measure commensurate with its importance, and the space which can be afforded to it, as a matter of financial history, the facts of which were still fresh in the recollection of several speculators, bankers and business men, with whom I had the honor of being acquainted shortly after my advent in Wall Street immediately succeeding the panic of 1857.

Of those who gave me lively descriptions of their vivid recollections of that panic, but few now survive.

I think, therefore, it is well for me to do my part in helping to preserve the leading features of this important episode in the early history of Wall Street, as there will soon be none of those, who took an active part in the exciting events of that period, left to tell the tale.

CHAPTER XX.

THE TRUE STORY OF BLACK FRIDAY TOLD FOR THE FIRST TIME.

The Great Black Friday Scheme originates in patriotic motives.—Advising Boutwell and Grant to sell Gold.—The part Jim Fisk played in the Speculative Drama.-"Gone where the Woodbine Twineth."—A general state of Chaos in Wall Street.—How the Israelite Fainted.-"What ish the prish now?"—Gould the Head Centre of the Plot to "Corner" Gold.—How he Managed to Draw Ample Means from Erie.—Gould and Fisk Attempt to Manipulate President Grant and Compromise him and his Family in the Plot.—Scenes and Incidents of the Great Speculative Drama.

In the year 1869 this country was blessed with abundant crops, far in excess of our needs, and it was apparent that great good would result from any method that could be devised to stimulate exports of a part, at least, of the surplus.

Letters poured into Washington by the thousand from leading bankers, merchants and business men, urging that the Treasury Department abstain from selling gold, as had been the practice for some time, so that the premium might, as it otherwise would not, advance to a figure that would send our products out of the country, as the cheapest exportable material in place of coin, which, at its then artificially depressed price, was the cheapest of our products, and at the same time the only one undesirable to part with. So the Government decided to suspend gold sales indefinitely.

Jay Gould and others, being satisfied that this was to be the policy of the Administration, commenced at once buying large amounts of gold, actuated, doubtless, by the purest of patriotic motives, namely, to stimulate cotton and cereal exports. They succeeded in accumulating a considerable amount of gold at prices ranging from 135 to 140, covering a period of three months' steady buying.

This was the honest foundation on which the great Black Friday speculative deal was erected.

The eruption on Black Friday was really caused by the erratic conduct of James Fisk, Jr., who actively joined the movement on Thursday, the day before, and became wild

with enthusiasm on the subject of high gold. He began on Friday, early in the morning, to buy large blocks through his own brokers, William Belden and Albert Speyer, running the price up very rapidly.

The original syndicate consisted of Jay Gould, Arthur Kimber, representing Stern Brothers, of London, and W. S. Woodward, of Rock Island corner notoriety. The two latter, however, sold out their interest to Gould, who directed the deal to the end, with the assistance of several able and wicked partners. Their office was located in Broad street, on the present site of the Drexel Building.

When the excitement arising from the above causes was at its height, I sent a telegram to Secretary Boutwell, and one to President Grant, representing the exact condition of affairs in Wall Street, and urging the sale of gold without delay. I also prevailed upon General Butterfield, the New York Sub Treasurer, and Moses H. Grinnell, the Collector of the Port, to send similar telegrams, which they did, and timely action was taken at once by an order coming to sell $5,000,000. The moral effect of this Government action was to strike terror to the holders of gold, and a general rush was made to sell out, thereby driving down the premium from 160, in less than two hours, to 132. The down grade produced an excitement quite equal to the early furore in the up movement. Albert Speyer had from Fisk a verbal *carte blanche* order to buy, in million lots, all the gold he could get at 160; while he was thus buying millions upon millions at this figure, on the opposite side, and in other sections of the room, sales were freely made in moderate amounts at 140, 145, 147 and 150, almost simultaneously; and even when 135 was reached, which was soon thereafter, Speyer still kept on bidding 160 for a million at a time, making one of the wildest and most ludicrous spectacles ever witnessed among men not idiots. Fisk afterwards repudiated the contracts made on his account by Speyer & Belden, simply denying having given the orders, and as they were not in writing, they could not well be proven, hence both brokers failed, throwing immense losses upon an innumerable number of others. Quite a noted firm sold Speyer some of his million lots, which they bought back at 140, being satisfied with the profit of 20 per cent.; when they had finished buying, the price instantly broke to 132, and the announcement of Speyer's failure, which was made before the close of the day, caused them also to fail, as well as half the members of the Gold Room. Owing to the serious complications prevailing and the disaster being so widespread, it was found impossible to continue the clearances through the Gold Bank, and the Governing Committee of the Gold Room were at once convened, and passed a resolution to suspend all dealings in gold for one week, in order to enable the members to adjust their difficulties and differences between themselves privately. The Gold Bank also suspended business in the meantime. While Albert Speyer was vigorously buying and continuing to bid 160 for one million after another, the clique were as actively engaged in selling all the market would take at ten points less, and also busy making private settlements with the shorts.

As the transactions were purely phantom in their nature, the great parties in the speculative contest did not really lose much. Contrary to popular opinion about such transactions, they did, virtually, incur heavy losses, but in one way or another they managed to evade them. Gould's losses were estimated at over four millions. Fisk's were equally large, but he repudiated all of them. Others were heavily saddled, however, with the burden which he should have borne.

Importing merchants were among the greatest sufferers, and a large number of them were forced to cover at high figures.

The suspension of the Gold Board caused many important failures. Private settlements were made during a period of sixty days following, in many instances on the basis of a compromise.

When Fisk heard that Secretary Boutwell had ordered gold sold, he exclaimed that it would knock spots out of phantom gold, and send him and others with their long stuff "where the woodbine twineth." The full effect of the disaster became more fully realized when the Gold Board and Gold Bank suspended and the numerous large failures were announced; then it almost seemed that a general state of chaos reigned, and how to unravel the complications was the problem to be solved. No one that had any connection with gold dealings during the eventful day could positively tell how they actually stood, or how to estimate their losses or gains; such was the uncertainty as to future results, and the doubt as to who was, and who was not, going to pay the differences due. The Board Room was crowded almost to suffocation, and the scene just prior to its close partook of the appearance of Bedlam let loose; in fact, it had not been much different during the entire day. Late in the afternoon, a formidable body of enraged sufferers assembled at the doors of Smith, Gould & Martin's office, and many and boisterous were the threats that were indulged in against the members of the firm, in consequence of which a police guard was detailed for their protection.

The gold furore brought many Israelites to Wall Street, who since, by their numbers and natural shrewdness, have become quite formidable in our midst.

One of them, being very long of the precious metal, on its break from 160 to 140, fainted; water was soon obtained to bathe his feverish brow, and rubbing was also adopted. When, finally, he had sufficiently recovered to raise his head and open his eyes, looking all around he said: "What ish the prish now?" Upon finding it still lower, he closed his eyes again, and fell into another swoon. He was finally carried from the Gold Room a sick and ruined, but a wiser Hebrew, and is now in the "ole cloe" business on the East side.

This is the history in brief, but the scenes and incidents of that day would furnish material for an interesting volume.

Although I am not much given to the sensational, I have collected a few of the leading events in detail, which I think are worth putting in permanent form, if I may presume that this book itself may happily partake of that character.

The inside history of the conspiracy to put up the price of gold is also full of interesting material, and shows how deeply laid the scheme was to take advantage of the circumstances and of the feeling which existed in favor of stimulating our exports at the time. I shall, therefore, give an epitome of the salient points behind the scenes of the great speculative plot, and the bold attempt made to involve President Grant and his family in the conspiracy.

As I have intimated, Jim Fisk, Jr., or Jim Jubilee Junior, as he was then popularly called, was eventually put forth as the active member of the manipulating coterie. The clique made very good use of him, also, at intervals during the period they were concerting their plans.

Fisk had originally been a peddler in New England, as his father had been. He appeared in Wall Street a few years previous to the great gold conspiracy as one of the confidential men of Daniel Drew. Having shown that he was too sharp for some of the people in the broker's office where Mr. Drew made his headquarters, he received a polite hint that his presence there was undesirable. Mr. Fisk then opened an office of his own, and united his speculative fortunes with those of Mr. William Belden. The name of the firm was Fisk & Belden. It was of but short duration. It seems that they had difficulty in finding bankers to accommodate them to the extent required, and they closed up the business. But though Fisk failed of success in this instance as a broker, his resources were not by any means exhausted. He made himself generally useful to Mr. Drew, who still adhered to him.

As the result of this friendship and his own smartness, in a short time afterwards Mr. Fisk was elected to the directory of the Erie Railroad Company, and Mr. Drew, who had forwarded his interest in that direction, was left out. This is an instance of the way Fisk made the best use of his friends.

As the result of Fisk's election to the Erie Board, forty thousand shares of new stock were issued. Bold attempts were made to gobble up other railroads through the same instrumentality. Fuller information on these matters is given in my chapters on Drew, Gould, and the struggle with Vanderbilt.

Fisk began to be considered a universal genius at that time, and had acquired the sobriquet of Prince of Erie. Though he had no money to operate with when he made his debut in Wall Street, soon after this large issue of Erie stock, he began to show signs of wealth very rapidly. He had the reputation of being the fortunate owner of several railroads and steamboats, an opera house, at least one bench of judges, an unlimited number of lawyers and a bevy of ballet girls.

The Head Centre of this gold conspiracy needs no introduction here, as I have attempted to do him ample justice in another chapter. He was also the power behind the throne in Erie as well as in the Gold clique. He pulled the wires while Fisk was the imposing factotum who was exhibited to an admiring public. He managed the courts, the judges and the lawyers, while Fisk got the reputation of doing this fine work, but was simply the mechanical executive. He had made himself solid with the Legislature also, and had acquired a hold on Erie that enabled him to use that property just as he pleased for his own personal benefit, ambition and purposes.

Erie was a mighty power at that time, with a wonderful leverage for raising money. When cash was needed to purchase another railroad, a legislature or a court, all that was necessary was to sell a few hundred thousand of Convertible Bonds and turn them into Erie shares. Mr. Gould was thus fortified with ample means of raising money on call at the time he played the heavy role in the events which culminated in the disaster of Black Friday.

Though the circumstances at that time were all in favor of success in such a plot, it required a mind with great grasp and wonderful powers of generalization to take advantage of all the bearings of the situation, and to utilize everything toward the great end in view. Gould did his work as chief of the conspiracy with rare tact and marvellous sagacity.

A resume of the conspicuous points in the situation and the plot will make this clear.

The supply of gold in the New York market then did not exceed 25 millions. The Government held less than 100 millions, and about one-fourth of this was in the form of special deposits represented by gold certificates, part of which were deposited in the banks and the remainder circulating throughout the country. Gold was then being sold by the Treasury at the rate of a million a month, in accordance with a plan that had been adopted as the best financial policy, both for the administration and the prosperity of the country. This had always a tendency to keep the price down, but on account of the circumstances briefly related in the beginning of this chapter, this policy of selling gold, owing to our commercial relations, was no longer considered for the best interests of the country, and Mr. Boutwell, with his coadjutors in the Treasury, were bound to give ear to the opinions of the bankers and business men in the interest of our export trade.

Although the policy of stopping the sale of gold had been agreed upon in deference to the views of the best financiers of the country, yet Mr. Gould and his fellow strategists thought it was best to make assurance doubly sure on this point, in order that nothing might stand in the way of the great speculative intrigue, to get a “corner” in gold. President Grant was conservative on the subject. The conspirators, therefore, conceived the design of arranging things so that Secretary Boutwell could not depart from this policy, no matter what emergency might arise.

This bold and wicked strategy could only be successful by first getting President Grant convinced that the theory of stopping the gold sales was the only commercial salvation for the country in the then condition of business stagnation and the possible panic threatened. The theory was then to impress him with the necessity of giving Secretary Boutwell an absolute order not to sell gold, and afterwards to fix things so that it would be impossible for the President to revoke that order until the brilliant speculative purposes of the clique in cornering gold should be accomplished.

The scheme was but little short of treason, regarded from a patriotic point of view, and it is very questionable if the perpetrators would have stopped short of this dastardly act, had they not been convinced that their purpose was fully compassed by a method less villainous and shocking. It was considered indispensable by the conspirators, for the consummation of their plans, that Grant should be got out of the way by some means or other. Fortunately for him, and for the honor of the nation, the plan succeeded without the necessity of offering him any violence.

Before explaining how this was done it is necessary to describe briefly a few of the preliminary events which formed a portion of the plot.

It was arranged that General Grant should accompany a party, one beautiful evening in the middle of June, who were going to attend the great Peace Jubilee of Patrick Sarsfield Gilmore in Boston. Jim Fisk did the executive work in the arrangement. There was a fine champagne supper on board the Boston boat, and several gentlemen were present who were thoroughly conversant with financial questions, and could talk glibly on the state of the country. The subject of exports and the policy of stopping the sale of gold were thoroughly discussed. It was a feast of reason, and those who have imagined that it was all flow of soul, on that festive occasion, do very scant justice to the intelligence that was at the bottom of the deep design of the nocturnal excursion, planned by Gould, Fisk & Co. General Grant was an eager listener to all that was said on the most interesting subject of that day, but his mind, it would seem, was not then thoroughly made up that the best policy for the prosperity of the country was to stop the sale of gold. He was undecided on that point, and it required well directed reasons to convince him. Mr. Gould observed this and foresaw what was necessary to be done. The drift of the conversation, when this point was brought clearly out, was very succinctly described by Mr. Gould in his testimony before the Garfield Investigating Committee. He said: “The President was a listener. The other gentlemen were discussing. Some were in favor of Boutwell’s selling gold, and some were opposed to it. After they all interchanged their views, some one asked the President what his views were. He remarked that he thought there was a certain amount of fictitiousness about the prosperity of the country and the bubble might as well be tapped in one way as the other. That was the substance of his remark. He asked me what I thought about it. I remarked that I thought if that policy was carried out it would produce great distress and

almost lead to civil war; it would produce strikes among the workmen, and the workshops, to a great extent, would have to be closed; the manufactories would have to stop. I took the ground that the Government ought to let gold alone, and let it find its commercial level; that, in fact, it ought to facilitate an upward movement of gold in the fall. The fall and winter is the only time that we have any interest in. That was all that occurred at that time."

It may be necessary to observe that I am merely quoting Gould from the report, and am not by any means responsible for his confusion of ideas and grammar.

This is sufficient to show how ably Mr. Gould played his part in attempting to get the President into the proper frame of mind to enable him to endorse a policy so vital to the interests of the country and to the success of the gold clique.

"I took the ground," says Gould, "that the Government ought to let gold alone and let it find its commercial level."

This reference to "its commercial level" is rich, coming from the head-centre of the plotters who wanted to put the article up to 200. Then, in another afterthought, he says: "It (the Government) ought to facilitate an upward movement of gold in the fall."

How artfully insinuating was this suggestion in the interest of our foreign commerce! It showed clearly the power the man possesses of rising to the patriotic height of the occasion. This is a characteristic of Mr. Gould that few people know how to appreciate at its true worth. It has stood out conspicuously in his character in many other exigencies. It reminds one of the unkind but vigorous remark of the famous old English critic, Dr. Samuel Johnson: "Patriotism, Sir," said the old cynic, "is the last refuge of a scoundrel."

About the time the above events were transpiring, the Assistant Secretary of the Treasury, Mr. H. H. Van Dyck, resigned his office in this city. Mr. Gould's chief ambition at that time was to name his successor, in order that he might be able to control the Treasury when the time to get a "corner" in gold should be ripe. Mr. Abel R. Corbin came in quite handy at this juncture to help to further the designs of Mr. Gould. He was a man of fair education and considerable experience both in business and politics. He had been a lobbyist in Washington for some years. He was well informed on financial matters, a pretty good writer, and could "talk like a book." His wife was a sister of Mrs. Grant, and he had good opportunities for reaching the Presidential ear, which he employed to the best advantage.

A gentleman named Robert B. Catherwood, who was married to a step-daughter of Mr. Corbin, was approached by Gould and Corbin on the subject of the assistant-treasuryship. They were anxious that Mr. Catherwood should take the office, and told him he could make a great deal of money in a perfectly legitimate manner if he were once installed.

So Mr. Catherwood stated in his testimony before the Investigating Committee, but he adds, "My ideas differed from theirs in what constituted a legitimate manner, and I declined the office."

The office then sought another man in the person of General Daniel Butterfield. He received the intimation of his appointment in a very different spirit from Mr. Catherwood, showing that he was fully equal to the occasion. He wrote a letter to Mr. Corbin thanking him kindly for the offer, saying that he was under numerous obligations to him, and expressing a hope that he would be eminently successful in his undertaking. General Butterfield received his commission in due course.

This made perfect another link in the chain of Mr. Gould's speculative design, as he supposed. It made Corbin "solid" with Gould also, a position which they both highly appreciated. Mr. Gould paid the following tribute of admiration to the true value of Corbin in the enterprise: "He was a very shrewd old gentleman. He saw at a glance the whole case, and said he thought it was the true platform to stand on; that whatever the Government could do legitimately and fairly to facilitate the exportation of breadstuffs and produce good prices for the West, they ought to do so. He was anxious that I should see the President, and communicate to him my views on the subject." Corbin talked with Grant until he received a positive assurance that Boutwell was not to sell any more gold. At a meeting in Grant's house, where Gould and Corbin were present, the President said: "Boutwell gave an order to sell gold, and I heard of it, and countermanded the order."

It was not until Gould had received positive assurance from the President's own lips, that he considered his scheme perfect. But the links of this strategic chain were now nearly all forged. The bankers and merchants were largely in his favor through commercial necessity, the Sub-Treasury was "fixed," as he thought, and the Executive fiat had placed the Treasury of the United States itself where it could not spoil the deal if Grant did not change his mind. There were reasons, of course, to apprehend that he would do so in case of an emergency; for he never was privy to the scheme, no matter what his traducers and political enemies may have said.

To ensure perfect safety, then, Grant must be put out of the way temporarily. This was the crowning effort of the conspirators. After the Boston Peace Jubilee, this Cabal spent the remaining part of the summer in maturing its designs. Large enterprises of this nature always require time and patience. I am told that "Billy" Porter, "Sheeny" Mike and other eminent burglars will work assiduously from six to twelve months studying all the ins and outs of a bank or other financial concern before coming to the point of using the "jimmy," blowing the safe or chloroforming the janitor.

It seemed necessary that all the members of the Cabal should be fully acquainted with the combination to Grant's purposes as regarded his orders to Boutwell, and that his ideas should remain fixed on the theory of increasing exportation for the country's

safety. Accordingly it was arranged that Jim Fisk should visit the President at Newport, where he was on a visit, some time about the middle of August, a month or so prior to Black Friday. It would seem that Grant at this date was still wavering, and adhering to his policy of selling gold in spite of the order which he had given Boutwell. He may have been suspecting that the anxiety of Gould, Corbin & Co. for the prosperity of the country was not altogether genuine. The necessity of bringing further pressure to bear upon him was therefore clearly manifest.

Referring to the interview at Newport, Fisk said: "I think it was some time in August that General Grant started to go to Newport. I then went down to see him. I had seen him before, but not feeling as thoroughly acquainted as I desired for this purpose, I took a letter of introduction from Mr. Gould, in which it was stated that there were three hundred sail of vessels then on the Mediterranean, from the Black Sea, with grain to supply the Liverpool market. Gold was then about thirty-four. If it continued at that price, we had very little chance of carrying forward the crop during the fall. I know that we felt nervous about it. I talked with General Grant on the subject and endeavored, as far as I could, to convince him that his policy was one that would only bring destruction on us all. He then asked me when we should have an interview, and we agreed upon the time. He said: 'During that time I will see Mr. Boutwell, or have him there.'"

The President was carefully shadowed after this by the detectives of the clique, and great care was taken to throw men across his path who were fluent talkers on the great financial problem of the day, the absolute necessity of stimulating the export trade and raising the premium upon gold for that patriotic purpose. In this way, President Grant began to think that the opinion of almost everybody he talked with on this subject was on the same side, and must, therefore, be correct.

About the 1st of September it was considered that the opinions of the President had been worked up fairly to the sticking point, and Gould bought $1,500,000 in gold at 132½ for Corbin. Gould, however, was timid in his purchasing at first, as he had heard that a number of operators who were short of gold were making arrangements to give Secretary Boutwell a dinner. On further assurances from Corbin that the President had written Boutwell to sell no gold without consulting him, Gould prepared to go ahead with the execution of his great scheme. Nothing remained to be done in the completion of the plot except to stow away the President in a place of safety until the financial storm should blow over.

Things were so managed that the President was placed in a position that his honor was seriously in danger of being compromised, yet so ably was the matter engineered that he was perfectly unconscious of the designs of the plotters.

He was prevailed upon to go to a then obscure town in Pennsylvania, named Little Washington. The thing was so arranged that his feelings were worked upon to visit that place for the purpose of seeing an old friend who resided there. The town was cut off

from telegraphic communication, and the other means of access were not very convenient. There the President was ensconced, to remain for a week or so about the time the Cabal was fully prepared for action.

Sometime about the period of the President's departure for Little Washington, Fisk bought seven or eight millions of gold. Gould then said to Fisk: "This matter is all fixed up. Butterfield is all right. Corbin has got Butterfield all right, and Corbin has got Grant fixed all right, and in my opinion they are all interested together."

This was patriotism with a vengeance. Just think of the audacity of it! Gould enters into a scheme to place the President in a position where he could not interfere with the plan of getting a "corner" in gold, and then he turns around and accuses the first Magistrate of the Republic with being privy to a plot that was calculated to create a panic, and cause widespread disaster in business circles, and render him an object of universal contempt.

Gould and Fisk, through Corbin, also attempted to compromise Grant's family, as well as his private Secretary, General Horace Porter. This intention was fully disclosed through the interview of Fisk with Corbin. Fisk testified: "When I met Corbin he talked very shy about the matter at first, but finally came right out and told me that Mrs. Grant had an interest; that $500,000 in gold had been taken at 31 and 32, which had been sold at 37; that Mr. Corbin held for himself about two millions of gold, $500,000 of which was for Mrs. Grant and $500,000 for Porter. I did not ask whether he was General or not. I remember the name Porter. This was given out very slowly. He let out just as fast as I did when he found that Gould had told me about the same thing. I said: 'Now, I have had nothing to do with your transactions in one way or the other. We have embarked in a scheme that looks like one of large magnitude. Mr. Gould has lost as the thing stands now. It looks as if it might be a pretty serious business before getting out straight again. The whole success depends on whether the Government will unload on to us or not.' He said: 'You need not have the least fear.' I said: 'I want to know whether what Mr. Gould told me is true. I want to know whether you have sent this $25,000 to Washington, as he states?' He then told me that he had sent it, that Mr. Gould had sold $500,000 in gold belonging to Mrs. Grant, which cost 32, for 37 or something in that neighborhood, leaving a balance in her favor of about $27,000, and that a check for $25,000 had been sent. Said I: 'Mr. Corbin, what can you show me that goes still further than your talk?' 'Oh, well,' the old man said, 'I can't show you anything, but,' said he, 'this is all right.' He talked freely and repeated: 'I tell you it is all right.' When I went away from there, I had made up my mind that Corbin had told me the truth."

An attempt was made to prove, before the Garfield Committee, that a package containing $25,000 was sent to Mrs. Grant through the Adams Express Company, but expert testimony failed to decide whether the amount was that or $250, as the two noughts at the extreme right were crowded into the cents column, and it was difficult to

determine whether or not a very light "period" was placed between them and the "$250."

The design of the clique was manifest, however, to implicate the family of the President in some way or other, in order that they might make use of the Executive influence to help accomplish their great speculative purpose. But as the Garfield Committee truly said in its report: "The wicked and cunningly devised attempt of the conspirators to compromise the President of the United States or his family utterly failed."

The scheme might have succeeded if Fisk had been possessed of the coolness and penetration of his partner, but his impetuosity, anxiety and enthusiasm aroused suspicion and partially spoiled the plot.

Fisk was so eager to be satisfied that Grant was all right that he overdid the thing by urging Corbin to write Grant a letter to stand firm and not to permit the Treasury to sell gold under any consideration. The outcome of this afforded clear proof, if any were wanting, that Grant had no guilty knowledge of the base purposes for which he was being used. Fisk had this letter from Corbin sent by a special messenger from Pittsburgh, who rode twenty-eight miles on horseback, and delivered it in person to the President. He read the letter, and had his suspicions at once aroused. He said laconically to the messenger, "It is satisfactory; there is no answer." He began to see through the game, and at once desired Mrs. Grant to write to Mrs. Corbin requesting her husband to have nothing more to do with the Gould-Fisk gang.

Mrs. Grant wrote to Mrs. Corbin to say that the President was greatly troubled to learn that her husband had been speculating in Wall Street, and that she should desire him to disconnect himself immediately with the party who were attempting to entrap the President.

Corbin hastened to obey the mandate from Little Washington. He was greatly agitated, but the ruling passion of avarice was strong; in bidding Gould farewell, and before taking his final adieu of the clique, he requested the arch plotter to hand him over his share of the profits. Referring to this incident, Gould said: "I told him I would give $100,000 on account, and that when I sold, if he liked, I would give him the average of my sales. I did not feel like buying any gold of him then."

This was the denouement of the plot against the President, who immediately hastened to big Washington.

Now, let me again ask the reader to turn his attention for a moment to the concluding scenes in the speculative drama in Wall Street on Black Friday. How the clique tried to manipulate Assistant-Secretary Butterfield was kept as profoundly secret as possible, and as it turned out, he did not have as much power over the events of that great day as was expected. When somebody charged Fisk with tapping the telegraph wires, however,

to obtain information from the Government, he replied: “It was only necessary to tap Butterfield to find out all we wanted.”

This was very likely a vain boast of Fisk.

On Wednesday, the 22d September, two days preceding Black Friday, the clique, it is believed, owned several millions more gold than there was in the city outside the vaults of the Sub-Treasury. Belden bought about eight millions of gold on that day, while Smith, Gould, Martin & Co. were also heavy purchasers. The clique held a caucus in the office of William Heath & Co., in Broad street, and concluded that it had gold enough to put the price to 200, if it could carry the gold without lending and compel the “shorts” to purchase. But the idea of finding a market for over thirty millions of gold was also a gigantic problem, and they felt the risk of being ground between the upper and the nether millstones of their scheme.

On the morning of Thursday another council of war was held in the office of Belden & Co., on Broadway. At this meeting, Gould, Fisk, Henry N. Smith and William Belden were present. The proceedings of this meeting were kept a profound secret, but one result of it was that Belden gave his clerk the famous order to put gold to 144 and keep it there. On that day Belden purchased about twenty millions of gold, the price opening at 141½ and closing at 143½.

The chiefs of the Cabal had another private meeting up town that evening. The great question of closing up the transactions on the following day was the chief topic of discussion. These operators held contracts for over $100,000,000 in gold. Gould said that the “short” interest was $250,000,000. The total amount of gold in the city did not exceed $25,000,000, and the difference between this and the aggregate amount of the contracts of the clique was the enormous amount that would have to be settled in the event of a “corner.”

Fisk proposed that the clique show its hand, publish the state of affairs, and offer to settle with the shorts at 150. His plan was rejected by his brother conspirators.

On the morning of the fatal day, Belden and William Heath had an early breakfast together at the Fifth Avenue Hotel, and repaired immediately to their offices. Belden announced that gold was going to 200. “This will be the last day of the Gold Room,” he added. Moved by Belden’s threat, a large number rushed to cover. In the language of Henry N. Smith, “They came on with a rush to settle.” He was settling in the office of Smith, Gould & Martin, at 150 to 145, while Albert Speyer, acting as broker for Fisk and Gould, was bidding up to 160 for a million at a time. It was only when the price came down to 133 that Speyer realized the humorous absurdity of his position. He had then bought 26 millions since morning at 160.

A voracious demand for margins about midday brought the work to a crisis. The scene at the office of Heath was indescribable when Belden went there to see Gould

and his confederates, to find out what was to be done next with the frenzied purchasers. An eye-witness thus describes the scene at Heath's office: "I went outside while Belden went in. I walked up and down the alley-way waiting for him to come out. Deputy sheriffs, or men appearing to be such, began to arrive and to mount guard at Heath's office to keep out visitors. After waiting a prodigious long time, as it seemed to me, Jay Gould came creeping out of the back door, and looking round sharply to see if he was watched, slunk off through a private rear passage behind the buildings. Presently came Fisk, steaming hot and shouting. He took the wrong direction at first, nearly ran into Broad street, but soon discovered his error, and followed Gould through the rear passage. Then came Belden, with hair disordered and red eyes, as if he had been crying. He called: 'Which way have they gone?' and, upon my pointing the direction, he ran after them. The rear passage led into Wall Street. At its exit the conspirators jumped into a carriage and fled the Street."

They did not fly the Street, however, but went to the Broad street office of Smith, Gould & Martin, where the crowd assembled, evidently with riotous intent, apparently bent upon an application to Judge Lynch for justice; and had any of the gentlemen appeared outside the confines of the front wall, the chances were that the lamp-post near by would have very soon been decorated with a breathless body. To ensure their safety inside, however, a small police force kept guard outside, which made the barricade complete. These gentlemen remained under this shelter until the small hours of the morning, busily endeavoring to find out where they stood in the result of the gold deal, and the more they pondered over it, the greater grew the doubt in their minds whether they were standing on their heads or their heels.

Although the Black Friday "corner" was a temporary calamity, perhaps it was worth all it cost, in teaching us a useful lesson in financial and speculative affairs. In my chapter on "Panics, and How to Prevent Them," I think I have made several points clear that can be utilized by financiers, speculators and investors to advantage, in ease of an impending panic or "corner."

CHAPTER XXI.

CAUSES OF LOSS IN SPECULATION.

Inadequate Information.—False Information.—Defects of News Agencies.—Insufficiency of Margins.—Dangers of Personal Idiosyncrasies.—Operating in Season and out of Season.—Necessity of Intelligence, Judgment and Nerve.—An Ideal Standard.—What Makes a King Among Speculators?

As there is always a class of speculators whose operations, in the long run, leave a net result of loss rather than profit, it may not be amiss if I state what experience has taught me as to the causes of this want of success.

Undoubtedly, many who enter the arena of speculation are in every way unfitted to take the risks against such wily opponents as they must encounter. They are either too ignorant or too wise, too timid or too bold, too pessimistic or too sanguine, too slow or too hasty, too diffident or too conceited, too confiding or too incredulous. These are constitutional defects, any one of which may easily cost an operator a fortune. And yet self-knowledge, with self-control, may prevent these natural disqualifications from seriously interfering with success. There is no mental discipline more severe and exacting than that of speculation. There is no pursuit in which a man can less afford to indulge in whims, or prejudices, or pet theories, than that of staking his money against the prospective changes in financial values. He must be as calm and as impartial as a judge, not less in respect to the risks he incurs than in regard to the integrity of his own judgment. I should lay it down as the first rule necessary to success, that the judgment be not warped by any natural idiosyncrasies; this being secured, a man may succeed in spite of his constitutional defects.

Singular as it may seem, there are no advantages beset with greater dangers than information—the one thing most largely sought after and most highly prized. Very naturally, most men object to taking a risk without possessing some knowledge of the conditions that determine the risk; and yet how few take care that their knowledge is adequate enough or certain enough for the formation of a safe judgment. In some cases, knowledge is unattainable and the operation must be a leap in the dark; and in such

instances a man is unwise to step in unless his experience satisfies him that he is uncommonly sagacious in guessing.

Many speculators lose because the information on which they base their operations is *insufficient*; more because it is *false*; and others because, while their information is correct, they do *not know how to turn it to account*.

Between one or other of these difficulties in the use of information must be distributed a very large proportion of the losses incurred in speculation. Incomplete or insufficient information is especially dangerous. One-sided knowledge is nowhere so deceiving as here. A railroad, for instance, may report an increase of gross earnings which is construed as making its stock worth two or three per cent. more than its current price; but the improvement may be due to transient special causes, and the road's current expenses may be growing at a rate which makes the net increase show a decrease. A financially embarrassed company may announce an assessment of its stockholders, upon which there is a rush to sell the stock; a little further explanation shows that the proceeds of the assessment will so improve the facilities of the company, or so enable it to reduce its fixed charges, as to make the stock intrinsically far more valuable than it was before; this discovery causes a sharp advance in the shares, and the "short" sellers have to cover their sales at a loss. A stock is bought up freely at New York because London is taking large amounts of it; a day or two later, the deliveries show that large holders connected with the management are unloading on the foreign market upon knowledge of facts damaging to the prospects of the property; the late buyers then rush to realize, and pocket a loss instead of a profit. Every day furnishes new instances of speculations undertaken on this incomplete kind of information, and which end disastrously because the operators did not wait to be informed on all sides of the case, but were satisfied to take a pound of assumption with but an ounce of fact.

One of the strongest anomalies of speculation is in the facility with which men are induced to take large risks on false information and manufactured "points." Considering the readiness with which a numerous class of "outside" operators buy or sell on sensational rumors, it is not surprising that the professional operators should keep the market well supplied with such decoys; and it is not easy to say which most deserves condemnation—the heedless credulity of the dupes, or the deliberate lies of the canard-makers. There is, however, a third party not less blameable than either of the foregoing. I refer to those who make it a part of their business to circulate false information. Principal among these caterers are the financial news agencies and the morning Wall Street news sheet, both specially devoted to the speculative interests that centre at the Stock Exchange. The object of these agencies is a useful one; but the public have a right to expect that when they subscribe for information upon which immense transactions may be undertaken, the utmost caution, scrutiny and fidelity should be exercised in the procurement and publication of the news. Anything that falls short of this is something

worse than bad service and bad faith with subscribers; it is dishonest and mischievous. And yet it cannot be denied that much of the so-called news that reaches the public through these instrumentalities must come under this condemnation. The "points," the "puffs," the alarms and the canards, put out expressly to deceive and mislead, find a wide circulation through these mediums, with an ease which admits of no possible justification. How far these lapses are due to the haste inseparable from the compilation of news of such a character, how far to a lack of proper sifting and caution, and how far to less culpable reasons, I do not pretend to decide; but this will be admitted by every observer, that the circulation of pseudo news is the frequent cause of incalculable losses. Nor is it alone in the matter of circulating false information that these news vendors are at fault. The habit of retailing "points" in the interest of cliques, the volunteering of advice as to what people should buy and what they should sell, the strong speculative bias that runs through their editorial opinions, these things appear to most people a revolting abuse of the true functions of journalism. But patent as these things are to those educated in the ways of Wall Street, there is a large class who accept such effusions as gospel, and are easily led by them into the clutches of the sharks. It is but just, however, to acknowledge that with these very serious drawbacks, both these classes of news agencies render valuable service to Wall Street interests, and it is to be hoped that experience will convince them that their enterprises would attain a higher success through emulating a higher standard.

Another source of losses in speculation lies in the speculator not holding back a cash reserve sufficient to protect him against an adverse course of prices. Ordinarily, the man who speculates is of a sanguine temperament, and apt to take risks without sufficient provision against contingencies. Hence, it is common with inexperienced operators to use all their available resources in their original margin. The result is that, if prices go against them, they are liable to be closed out and saddled with a loss they can ill afford. Such persons should never pledge more than one-half of their available means at the beginning of a transaction; the remaining half should be kept as a guarantee against their being "sold out," or to enable them to duplicate the transaction at the changed price, so as to make an average likely to yield a profit. The violation of this rule creates a class of weak holders, who offer a constant inducement to "room-traders" to raid the market; knowing, as they do, that when they have impaired these unsupported margins, there is sure to be a rush of selling orders calculated to break down prices. It is safe to say that if better provisions were made for keeping margins good, the power of the "bears" and the wreckers would be broken; one-half of the losses of "outside" operators would be obviated, and one-half the risks of speculation would be obliterated.

Another class especially exposed to losses are those who always operate in the same direction. Wall Street has its optimists and pessimists; they are such from a constitutional bent; and they are "bull" or "bear" in season and out of season. As a rule, those that follow a natural disposition, rather than the course of the market and the

conditions that mould it, are sure to bankrupt themselves sooner or later. I do not mean to maintain that there is no chance for an operator who clings continuously to one side of the market; for in times when conditions favor higher prices there is always some profitable work to be done by the "bear" in checking excesses of a rise; and, when events favor decline, the "bull" may find his chances in intervals of excessive decline. But the man who can thus successfully steer his craft against the winds and the tides must be a thoroughly trained navigator, cool in temperament, capable of reining his natural proclivities, and above all, the possessor of means large enough to control, if necessary, the course of the market by sheer money power. It is needless to say that nine-tenths of this stereotyped class are devoid of these requisites to success. One cannot but pity the man with sallow face and sluggish gait so suggestive of the blue pill, who, when everybody else is feeling the happy impulse of a common prosperity, persists in believing that the country is going to the dogs, and steadily sells stocks while everybody else is buying them. He is simply ruining himself through unconsciousness that he views everything through bilious spectacles. Equally is the man to be commiserated who, from a constitutional intoxication of hope, keeps on buying and holding when it is manifest that the country has passed the summit of an era of prosperity and is destined to a general reaction in trade and values. Of course, such men never remain long in Wall Street; their pockets are soon emptied, and they retire to reflect on the folly of refusing to appreciate and to follow the natural drift of the conditions that regulate values.

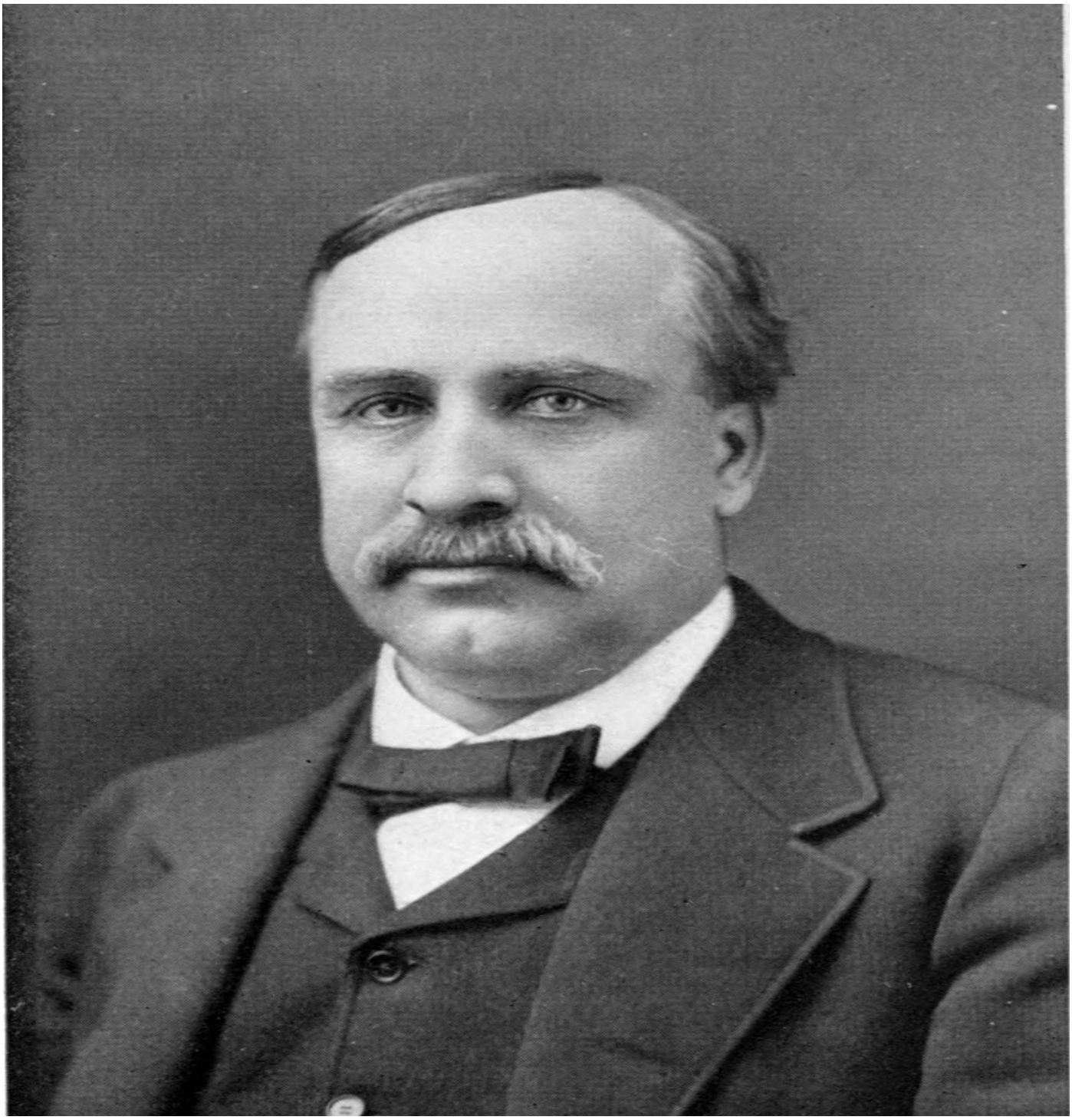
A minor source of losses lies in operating at times when the market is so evenly balanced between opposing forces that there is no chance for making profits. At such times, operators get disgusted at the sluggishness of the market; they change their holdings from day to day, with no advantage except to their broker; and their monthly statement shows a heavy list of charges for interest and commissions, with no offset of profits. These intervals of stagnancy sometimes run for weeks, sometimes for months; and at such times a wise speculator would take care to keep out of the market and hold himself in readiness for anything that may turn up.

It is necessary to the avoidance of loss that the operator should maintain an intelligent watch upon the influences that control the market. Those influences are two-fold—such as are intrinsic to the market, and such as are external to it. Of the former class are those that relate to the spirit and tone of the market; the position and disposition of the cliques; the action of the large operators; the overloaded or over-sold state of the market, as indicated by the loaning rates for stocks; the influence exerted by the upward or downward movements in stocks which at the moment are specially active; the possibility of closing out holders on "stop orders" or on the impairment of margins; the unloading of influential cliques and the covering of important lines of short sales, &c., &c. Influences of this kind are very frequently sufficient of themselves to control the market for a considerable period in direct opposition to the tendency indicated by

external conditions. It is, however, no easy matter to form a correct conclusion as to the drift resulting from this set of factors. They are so concealed and so changeful, and the symptoms are so vague, that it requires long experience, added to unusual sagacity, to determine what may be the tendency resulting from the complex action and counteraction of this set of conditions. Some exceptional operators enjoy an instinctive faculty for weighing these shadowy indications with almost unerring certainty. Such men usually care little about outside influences, except so far as they may affect the market for the moment. From the nature of the case, their transactions are apt to be brief ones, and follow quickly the momentary course of the market They are reckoned among the most sagacious speculators, and are usually very successful. But their success is the result of a special natural gift, and therefore cannot be won by others.

The second class of influences above alluded to as external to the market are of a very broad and varied character. They embrace almost everything that affects the welfare of the country. Those, however, which are most potent are, the state of the crops; the condition of manufacturing industries; the state and prospects of trade; the earnings of the transportation companies; the course of the imports and exports; the attitude of the foreign markets towards American securities; the movements of the precious metals; the condition of the London and Continental money markets; the position of the New York banks and the course of currency movements; the action of Congress, of the Legislatures and of the Courts on matters affecting the value of investments; the acts of labor unions and the drift of labor agitations, and the course of political and social issues. This may be considered a rather startling list of topics for a man to keep himself well informed upon, but there is not one of them which may not any day become a controlling factor in the condition of the stock market. For a man, therefore, who aims to keep his knowledge abreast with his business, it is necessary that he should be a close observer of events. Undoubtedly few possess this breadth of information, and most men think it sufficient to get their knowledge as best they may when the events happen. The misfortune in such cases is, that those better informed utilize the event while the others are “getting posted.” Considering how many half-informed or wholly ignorant persons engage in speculation with more or less success, it cannot be pretended that to keep informed on the foregoing set of conditions is essential to a fair degree of success. But it must be maintained that such knowledge is of incalculable value and that a man who has it is in a position to act with more intelligence, assurance and success than one without it. To those who desire to turn to account all coming changes, and to stand always prepared for the good or evil events of the future, this intelligent comprehension of the status of all the forces that make or unmake values is absolutely indispensable. And yet it is one thing to possess this information; another to know how to draw correct conclusions from it, and yet another to know how best to use it in the area of speculation. Failure at any one of these points may be fatal to success and result in disaster.

I conclude, then, that for a man to be a thoroughly equipped speculator, it is necessary that he be possessed of extraordinary parts and attainments. He must be an unceasing and intelligent observer of events at large, and a sagacious interpreter of symptoms on the Exchange; his judgment must be sound, not only as to existing conditions, but as to coming tendencies, and he must possess the calmness and nerve to face unflinchingly whatever emergencies may arise. Whoever enjoys these qualities in the highest degree must be the King of Speculators. As to others, their rank must correspond to the degree of their conformity to this ideal standard.



H. Villard

CHAPTER XXII.

VILLARD AND HIS SPECULATIONS.

RETURN OF THE RENOWNED SPECULATOR TO WALL STREET.—RECALLING THE FAMOUS "BLIND" POOL IN NORTHERN PACIFIC.—HOW VILLARD CAPTURED NORTHERN PACIFIC.—PURSUING THE TACTICS OF OLD VANDERBILT.—RAISING TWELVE MILLION DOLLARS ON PAPER CREDIT.—VILLARD EMERGES FROM THE "BLIND" POOL A GREAT RAILROAD MAGNATE.—HE INFLATES HIS GREAT SCHEME FROM NOTHING TO ONE HUNDRED MILLION DOLLARS.—HIS UNIQUE METHODS OF WATERING STOCK AS COMPARED WITH THOSE OF GEORGE I. SENEY.

The return of Mr. Henry Villard to Wall Street, after two years' absence in Germany, his native land, renews the public interest in the career of that bold speculator. My reminiscences of Wall Street affairs would be incomplete without a sketch of the daring railroad operations of this gentleman, which so fully illustrate some of the evils to which I have referred in my chapter on "Railroad Methods."

The culminating point in the speculative history of Mr. Villard, which covered a period of five years, from 1879 to 1884, was the famous blind pool in Northern Pacific.

Instead of taking up the events of his life in detail, and carrying my readers to this point, I shall depart from the usual course of biography, and present the more interesting facts of the career of my hero at the beginning.

In his capture, of Northern Pacific he seems to have followed the methods of the elder Vanderbilt very closely, with the important exception that he failed in the consummation of his purpose. Vanderbilt always, eventually, triumphed.

Villard was the chief agent in forming the Oregon Railway and Navigation Company, which was organized for the purpose of consolidating the business of the Oregon Steam Navigation Company with that of the Oregon Steamship Company, and for the purpose of buying, building and operating railroads, as stated in the circular setting forth the objects of the company. The lines of the Oregon Railway and Navigation Company extended from Portland west to Wallula Junction.

The value of this property was seriously menaced by the project of the Northern Pacific to extend its lines west, with a terminus at Tacoma.

President Billings, of the Northern Pacific, rejected a proposition from Mr. Villard to accommodate the Northern Pacific by permitting it to reach the Pacific coast over the lines of the Oregon Railway Navigation Company.

It was at this juncture that Villard resorted to the old Vanderbilt tactics, by attempting to purchase stock enough of the Northern Pacific to enable him to control the property. For this purpose he formed a blind pool, in which Messrs. Woerishoffer, Pullman and Endicott, and a host of other solid men, were the original members. A fund of $8,000,000 was subscribed to purchase Northern Pacific stock. During the spring of 1881 the pool kept on buying steadily, and continued their operations until the middle of summer, when it was discovered that the treasury of the pool was almost exhausted without having effected its purpose of acquiring control of the Northern Pacific property.

Mr. Villard then called a meeting, explained matters, proposed to extend the scope of the pool's operations, and to increase its membership. By showing the enormous profits to be gleaned in the future, he succeeded in getting $12,000,000 more subscribed. This secured the control of the road, and in September, 1881, Mr. Villard was elected President of Northern Pacific.

Villard at once emerged from this blind pool into a great railroad magnate, in a manner, to the eye of the general public, as miraculous as the springing forth of Minerva fully armed from the brain of Jupiter.

The stock of Northern Pacific advanced rapidly in price, and Villard and his friends were supposed to be accumulating millions with unprecedented celerity. Villard appeared to have realized all the financial dreams of Monte Cristo, and he was fast looming up into a proud and dangerous rival of Gould, Vanderbilt and Huntington.

He went forward with the building of the Northern Pacific road, which was finished two years after his success in capturing it through the medium of his blind pool. His phenomenal success induced him to enter largely into the extension of other investments. He became lavish in his personal expenses also, although he had formerly been accustomed to the closest economy in his mode of living, and he built a palace at Madison Avenue and Fiftieth street.

When seemingly on the highest tide of prosperity, Villard suddenly became embarrassed, and when an accounting of the cost of finishing the road was made, he was found to be away behind. There was a miscalculation of $20,000,000 somewhere. Villard explained it by declaring that the estimate of the engineers for finishing the road was $20,000,000, whereas the real cost reached $40,000,000.

For the $20,000,000 subscribed by the blind pool the subscribers received the stock of the Oregon & Transcontinental. This company had been organized to build branch lines to the Northern Pacific, as the charter of the latter did not permit it to build such lines.

This is the speculative history, in brief, of Mr. Villard from the time he took hold of the Oregon & California Railroad up to the juncture of his grand collapse. There were several incidents, however, of more than ordinary interest in his railroad history prior to the time he set his heart upon Northern Pacific. As a stock-waterer he had, probably, no superior, and was only equalled by Mr. George I. Seney, in that important department of railroad management. His methods in obtaining control of the Oregon Steam Navigation Company and the Oregon Steamship Company amply illustrate his remarkable ability in this respect. When Villard proposed to purchase these two companies he had no money, but he had unlimited confidence in his own ability. He asked each company to give him an option to run a year for $100,000. They agreed to do this, and Villard forthwith consulted a number of capitalists, who came together and filed articles of incorporation of the Oregon Railway & Navigation Company, a consolidation of the two companies above-named. When this company, with such a high sounding name, was organized, it had no assets, and the prospects of acquiring any seemed exceedingly blue. The names of the incorporators were as follows: Henry Villard, James H. Fry, Artemus H. Holmes, Christian Bors, W. H. Starbuck and Charles E. Brotherton, all of the city and State of New York, and W. H. Corbett, C. N. Lewis, J. N. Dolph, Paul Schulze and N. Thielson, all of Portland, Oregon. The capital was nominally six million dollars, divided into 60,000 shares. This arrangement was made in June, 1879.

The next problem to be solved after the reorganization was how to raise money to run the concern.

The Board of Directors, under the management of Mr. Villard, were equal to the occasion. They met at Portland a few days after the organization and executed a mortgage to the Farmers' Loan and Trust Company of New York, and under this mortgage issued 6,000 bonds of $1,000 each, payable in thirty years after July 1, 1879, with interest at 6 per cent.

Mr. Villard then paid the $100,000 bonus money to the companies which had been incorporated, took his option, stock and bonds and came East to negotiate his securities. It is said he presented them to Jay Gould, who refused to touch them, as he believed there was not much stamina in the scheme, and he wished to avoid trouble with the Northern Pacific, which he plainly saw the project involved. Villard was more fortunate with Mr. Endicott, Jr., of Boston, Mr. George Pullman and others whom they interested in the enterprise.

The property of the two companies, out of which the new company had been formed, whose securities were so boldly placed upon the market, was not in reality purchased until March of the following year.

After the organization was complete, the visible assets of the Oregon Railway and Navigation Company did not exceed $3,500,000, while the total liabilities amounted to $21,000,000. This was made up as follows:

Original stock	$6,000,000
Water	3,000,000
Water	6,000,000
Mortgage bonds	6,000,000

It will thus be seen that there were seven dollars of liabilities for every dollar of assets, and the intrinsic value of the stock was represented by a minus quantity of 20 per cent., having no positive value at all. In other words, it was 20 per cent. worse than nothing.

In spite of these facts, however, Mr. Villard had the stock listed at the Stock Exchange, and through a carefully prepared report, showing immense and unprecedented earnings, he had the stock bulled up to 200. It was when it reached this high figure that the $9,000,000 of water (noted before) were thrown in to prevent it from becoming top-heavy.

This was the preparatory and successful process of watering which preceded the transactions of Mr. Villard on a more magnificent scale in his manipulation of Northern Pacific, as described at the opening of this chapter. Mr. Villard excelled Mr. Seney in one respect which is noteworthy. As I have shown in a former chapter, Mr. Seney poured the water in lavishly at the reorganization, and prior to having his properties listed on the Stock Exchange.

Villard improved upon this process by employing Seney's method liberally in the first instance, and also by a free and copious dilution after the stocks had been inflated to the very point of bursting.

There is probably no instance in the whole history of railway manipulation in which a man has presented to the public, and with such amazing success, such a specious appearance of possessing solid capital where so little existed in reality.

He began with nothing in 1879 and succeeded in the course of a year in possessing himself, by various adroit methods, as described, of $3,500,000 of assets in railroad

securities. With this as a basis of operation, in five years he managed to obtain temporary control of property aggregating in value over $1,000,000,000.

CHAPTER XXIII.

FERDINAND WARD.

PECULIAR POWER AND METHODS OF THE PRINCE OF SWINDLERS.—HOW HE DUPED ASTUTE FINANCIERS AND BUSINESS MEN OF ALL SORTS, AND SECURED THE SUPPORT OF EMINENT STATESMEN AND LEADING BANK OFFICERS, WHOM HE ROBBED OF MILLIONS OF MONEY.—THE MOST ARTFUL DODGER OF MODERN TIMES.—THE TRUTH OF THE SWINDLE PRACTICED UPON GENERAL GRANT AND HIS FAMILY.

In making a fair estimate of the part that Ferdinand Ward, of the firm of Grant & Ward, played in the panic of 1884, I can only say that Ward's methods, taken altogether in their conception and execution, constituted a huge confidence game. He built up confidence by deceiving a few eminent men in financial and social circles, who, from his insinuating and plausible demeanor, were induced to place reliance upon his representations.

His presence was magnetic, and his manner deceitfully unassuming. He had the art of dissembling in great perfection and was possessed of extraordinarily persuasive powers, without appearing to have any selfish object in view. So highly developed in him were these social gifts, through the power of cultivation, that he could convince his unhappy victims that he was actuated with a single purpose for their welfare.

By practicing in this way on the credulity of certain people, Ward managed to get into his hands, for his own personal use, sums of money aggregating millions. Some of the richest financiers became his victims, chiefly induced by promises of high rates of interest and large profits on various ventures.

Ward would ascertain the names and circumstances of certain people who had large balances in their banks and were unable to make satisfactory and paying investments with them. He would bring certain influences to bear upon them to take their money out of the bank and invest it through him in "Government contracts," which he said afforded immense returns, but were of a delicate character, and required some secrecy in the manipulation. This circumstance naturally prevented him from going into an explanation of the details of the enterprise, which it was not necessary for the investors to know

when their profits were secured through such a stable investment. It was sufficient for them to be assured that the returns would be very large.

As an instance of the successful manner in which Ward's specious pretences worked, I will relate the experience of one gentleman who deposited $50,000 with him, on the strength of these representations—just as an experiment.

This gentleman was going on a trip to Europe and he left the amount stated in the possession of Mr. Ward to be used to the best possible advantage during his absence, and invested in his own way.

About six months after the date of this deposit, the gentleman returned from Europe and called at the office of Grant & Ward to learn what progress had been made with his investment. He saw Ward, and called his attention to the fact.

The young Napoleon of finance recollected the appearance of his customer at a glance, for he is admirably developed in what phrenologists term individuality, and never forgets a face, but in the immense rush of his speculative business he had forgotten the circumstance until he referred to his books. He was but a few minutes absent in the interior office when he returned and informed the gentleman that his $50,000 had been invested with the ordinary turn of luck that usually accrued under his management, and he was very happy to be able to hand him a check for $250,000, after deducting the ordinary commission, as the result of the investment.

The man was overpowered with this unexpected turn of luck, and the enormous profits taxed his credulity to its utmost capacity. This was a speculative mine that he had never dreamed of, and instead of sleeping any that night he set his entire mind to calculate the profits on $250,000 in the same ratio that his $50,000 investment had been transformed into this amount.

It required very little mathematical knowledge to arrive at the conclusion that with such another turn of speculative prosperity, he would, within the next six months, be a millionaire and have the original investment left intact. Then if he should make this on three turns, which seemed not unlikely, when he should be present to look after his own business, he might pile up millions by the dozen.

The mind of this fortunate speculator being filled with such thoughts as these, he lost no time after breakfast in taking the train on the elevated road and arrived at Ward's office before business had begun. When Ward arrived he met his customer with a gracious smile, took the check in the most handsome manner and made a note of it in his book.

The investor had not very long to wait this time before he knew the result of his venture. It was only a few days prior to the 12th of May, 1884, at which date the failures of Grant & Ward and the Marine Bank were announced in Wall Street, as the *avant*

courier of a sudden panic. So, the only thing that interfered with the second check producing similar results to those of the first, was the unfortunate panic, but of course Mr. Ward could tell his customer that he was not responsible for that.

In this connection an important financial question arises. Would there have been any panic had it not been for Ward, Fish, Eno & Co.? However this may be, there is one thing very evident, namely, that Mr. Ward must be accorded the power of ability to control men with whom he came in contact in a remarkable manner, and of being able to get the best of them in all financial matters. Old and astute financiers, who were considered experts in every method of speculation, and who knew all the artifices of making a sharp bargain, became helpless in the mystical presence of Ward, and were completely non-plussed by his superior acumen in taking advantage of every situation that offered the least opportunity of practicing his peculiar methods of chicanery and fraud.

Ward seems to have been very much of a mind reader. He knew when he passed that check over to the gentleman referred to, for $250,000, that it would come back again, that it would keep burning that man's pocket while he kept it there, and that sooner or later he was bound to return it to the mysterious place of its issue. Doubtless this was not the first case that Ward had experimented upon in this way. He had evidently made a regular practice of it, and could calculate the proportion of his victims with as much accuracy as tables of mortality are made out for insurance companies. There was no blind chance about Ferdinand's methods. He worked according to a rule, having calculated to a nicety the exceptions that proved it, and his success showed that he had not wasted much time over stubborn cases.

Ward displayed marvellous tact in discovering, at a glance, those who were sufficiently credulous to be entrapped into acquiescence with his schemes, and manifested great executive ability in pouncing upon his prey at the proper moment. His methods of operation were admirably suited to his purposes. He saw, for instance, that this man would not put the money in any other kind of investment, and would not be likely to operate, except through Ward himself, as no other man could be found anywhere who could make himself the instrument of realizing such stupendous returns for the money invested.

It is marvellous how the idea of large profits, when presented to the mind in a plausible light, has the effect of stifling suspicion.

The specious pretexts of Ward appeared equal to the task of overcoming the most obdurate cases of incredulity. So, it is not so singular, after all, that men utterly unacquainted with business methods and sharp practice in speculation, were so easily victimized by the sinister methods, conciliatory manners and seductive schemes of this consummate imposter.

Ward was so successful in his arts of persuasion that he could not only succeed in getting possession of all the available capital, for his own practical use, of many eminent financiers, but he had the power of transforming them into walking advertisements for the promotion of his nefarious designs, and turned them to the best account in drumming up business and customers for him while they were blissfully ignorant that they were all the time the subservient mediums of swindling projects. In fact, they made themselves the willing instruments of "roping" in others for Ward's purposes, inspired by the purest motives of gratitude toward him as their confidential broker and benefactor.

In this way General Grant and his sons became the helpless victims of Ward's deeply designing duplicity.

People who have blamed General Grant fail to reflect on the fact that the famous soldier and able tactician was no better than a raw recruit in the hands of a disciplined warrior when he was placed in contact with Ferdinand Ward's superior financial tactics.

One great point in the confidence game worked on joint account between Fish and Ward was to obtain men of well known reputation to vouch for the genuineness of the enterprises in which they were engaged. This enabled them to solidify and extend their credit. It was for this purpose that General Grant was inveigled into signing the well-known letter No. 2, addressed to Fish, which has been the subject of so much criticism and comment. Following is a copy of this letter:

No. 2 Wall Street, }
Room 6, }
NEW YORK, July 6, 1882.

MY DEAR MR. FISH:—In relation to the matter of discounts, kindly made by you for account of Grant & Ward, I would say that I think the investments are safe, and I am willing that Mr. Ward should derive what profit he can for the firm that the use of my name and influence may bring.

Yours very truly,

U. S. GRANT.

This letter was written in answer to one from Jas. D. Fish, President of the Marine Bank, saying he had negotiated notes for the benefit of Grant & Ward, to the amount of $200,000. He said in explanation: "Those notes, as I understand it, are given for no other purpose than to raise money for the payment of grain, &c., to fill the Government contracts."

This letter, signed by General Grant was designated by his counsel as "only an ordinary letter in the course of business," and that is all it is where a man placed confidence in another as General Grant did in Ward and Fish.

It was Ward who wrote the letter, through the instruction of Fish, and got General Grant to sign it.

In an interview with a reporter of the New York *World*, in July last, Ward explained the circumstances under which the letter was signed, as follows:

> "Do you know anything about that letter addressed to Mr. Fish and signed by Gen. Grant, regarding the Government contracts?" asked the reporter.
>
> "Of course I do," quickly replied Ward. "I made the original draft. It was by Mr. Fish's direction, and he asked me to do it, suggesting what I should write. He had had some trouble in getting Grant & Ward's paper discounted, for he attended to that and raised millions of dollars. He wanted something to show to Mr. Cox, President of the Mechanic's Bank, and others from whom he tried to get money for the firm. The contract business was the great thing, and he said if he only had something from the General to show that he knew about the contracts, it would be easier for him to go to these men. I distinctly remember the circumstances under which this letter was prepared. Fish gave me an idea what it ought to be like and I wrote it. Then Mr. Fish went over it and made some corrections in his own handwriting. It was scrawled on a piece of paper that happened to be handy in the office, and after he had it to suit him he handed it to me and I gave it to Spencer, our cashier, to copy. I am not sure but that I have got that draft somewhere among my papers. I think I have seen it since the failure, and if it is still in existence it can plainly be seen that Mr. Fish knew all about it before it received Gen. Grant's signature. The General was in the habit of signing papers I asked him to without paying much attention to what they were. So when I asked him to sign this one he did so without much if any questioning. I understood well enough what Fish wanted it for, because he told me, and I have no doubt that Mr. Cox and other gentlemen from whom he borrowed money saw the letter."

CHAPTER XXIV.

HENRY N. SMITH.

How Mr. Smith Started in Life and became a Successful Operator.—His connection with the Tweed "Ring," and how he and the Famous "Boss" made Lucky Speculations, through the use of the City Funds, in Making a Tight Money Market.—On the Verge of Ruin in a Pool with W. K. Vanderbilt.—He is Converted to the Bear Side by Woerishoffer, and Again Makes Money, but by Persistence in his Bearish Policy Ruins Himself and Drags Wm. Heath & Co. down also.

I have already had occasion to speak of Henry N. Smith, who was a member of the firm of Smith, Gould & Martin, but I consider him of sufficient importance, speculatively speaking, for a separate biographical sketch. pi This gentleman is a native of Buffalo, and had been in the mercantile business there before coming to Wall Street. He was familiarly known as the young man from Buffalo. He had then a decidedly Hebrew aspect; was a strawberry blonde, with full beard of auburn hue, sharp, piercing eyes, and an air of self-confidence. He had made some money in Buffalo, and was lucky in his first ventures in Wall Street, being one of the few who emerged from the panic of 1864 on the winning side. Smith became a bold operator, and accumulated considerable money. He was invariably successful in his transactions whenever he was governed by his own judgment. The first disaster overtook him in the panic of 1873. Immediately prior to that he had been under the influence of Commodore Vanderbilt, who put him into Western Union, and the loss which he sustained by its terrible fall in that year almost ruined him. He lost all his ready money, being left without anything but his New York residence and a stock farm.

He did not lose courage, however, by this speculative blow, but picked himself up again and soon became quite a power in the Street, and in spite of the ups and downs of speculation and the various panics, Smith kept clearly ahead of the market for many years, and became a successful and comparatively wealthy operator.

He always managed to ingratiate himself with wealthy connections in his various operations, and was able to command an enormous amount of credit in comparison with his actual means.

A few years ago, on his return from Europe, he met W. K. Vanderbilt, and they began to discuss the probable future of the market. Vanderbilt had been a bull for some time previously. They entered into an agreement to operate on the bull side together. The result was that Vanderbilt lost several millions, and came pretty near running the risk of exhausting a large part of his then anticipated share of his father's estate. The deal was disastrous to Smith also.

Soon after this discomfiture, one day, on his way to Long Branch, Mr. Smith met the late Mr. Woerishoffer, who was the great bear on the market, while Smith and Vanderbilt were still then the leading bulls. Woerishoffer succeeded in convincing Smith that his position on the market was wrong—that he had better make a clean sweep of it in selling out the stocks which he held, and join hands with him on the bear side.

Smith was impressed with Woerishoffer's advice, earnestness and personality.

The great bear was also in a position to back up his theory by examples of his success, the best and most convincing argument that could possibly be employed, especially by a Wall Street speculator. As the result of this bearish counsel, Smith soon recuperated from the effect of his former losses, and, in consequence, got bearish notions so badly on the brain that he was prepared to swear by Woerishoffer's judgment, and considered his own equally infallible. He could see nothing but disaster ahead any more than his general, and was recklessly prepared to follow wherever the champion bear should lead in the destruction of values.

Smith seemed to have the same abiding faith in Woerishoffer that Ignatius Loyola reposed in the Pope of his day. "If the Holy Father," said that eminent Jesuit, "should command me to row several leagues into the ocean in an open boat, in the midst of a terrific gale, I should straightway obey his mandate without asking why or wherefore."

Such is hardly an exaggerated illustration of the thorough appreciation which Smith entertained of the perfection of Woerishoffer's bearish discipline, and the exact certitude of his judgment in all matters of a speculative character. It is almost impossible for a man who has had no experience in Wall Street matters to estimate the extremes of fanaticism in speculation to which a man is prepared to go when he is seized with a monomania either on the bull or the bear side, but especially on the latter.

The evidence of his senses counts for nothing, and the evidence of other people's senses, if possible, goes for less. He is a consistent bull or bear, as the case may be, and that settles it. He is Sir Oracle on the stock market and when he speaks let no dog bark.

This inveterate combination of egotism and fanaticism has ruined many hundreds, to my own knowledge. The disease is contagious, and Smith had a very obstinate form of it. His symptoms were even worse than those of Woerishoffer, by whom he was smitten, a peculiarity that very often occurs in the recipient of this financial malady.

Like Woerishoffer, Smith fought the market with desperation on every advance. He adhered steadily to the policy of attacking prices on every rally during the summer of 1885, while values were constantly advancing, with occasional healthy reactions. When his own money was exhausted he began to incur cumulative liabilities with the house of Wm. Heath & Co., until that famous firm had become almost depleted of its available resources in replacing margins as fast as they were wiped out by the persistent tide of advancing prices in speculation.

Thus Mr. Smith proceeded, in obedience to the spirit of bearish fanaticism, until his loss became so great that he not only had to pay out all his own money, but was in debt to the firm of Wm. Heath & Co. in a million dollars, which was the cause of their failure, and which crippled or caused to collapse several smaller houses.

When Mr. Smith appeared before the Governing Committee of the Stock Exchange to make application for the extension of time on his seat, he made the following extraordinary statement: "On January 1, 1885, I was worth $1,400,000. I had $1,100,000 in money, and the balance, $300,000, in good real estate. On the following January I had lost the whole amount, and was $1,200,000 in debt, a million of which I owed to Wm. Heath & Co."

Many people were surprised that Mr. Smith was enabled to obtain such an enormous and unlimited amount of credit in one house. I took the ground at the time, and I am still of the same opinion, that the animal magnetism or psychologic power of Henry N. Smith over the elder Heath was the real cause of all the trouble.

Mr. Heath had been in bad health for some time, consequently he left the general management of the business to Mr. McCanless, the head clerk and general manager of the firm, through whom the orders of Mr. Heath were strictly executed.

Mr. Heath being weak in both body and mind, yielded his opinions to those of Mr. Smith, by virtue of the superior mental force of the latter.

In conducting a large Wall Street business it is necessary that a man should have the mental stamina to say "no" firmly, and stand to it. In order to be able to do this he must be backed up by a vigorous, healthy physique.

The power to utter a negative in a determined manner requires, generally, a fair degree of physical force, and it is absolutely necessary to the success of a Wall Street broker that he should be able to do it when occasion requires. A deficiency either in will power or physical force to pronounce this small negative distinctly and firmly may result in financial ruin, as it did in the case of Wm. Heath & Co.

Henry Nelson Smith made many successful turns in speculation during the Tweed regime, owing to the facilities which the municipal bankers belonging to that famous coterie afforded him for manipulating the money market.

There were great fluctuations in stocks while William Marcy Tweed was the power behind the throne in the government of the city of New York. Mr. Tweed contributed largely towards these fluctuations. He and his trusty companions pulled the wires at the City Hall while the puppets in several of the brokers' offices in the vicinity of Wall Street danced to the sweet will of the managers in the municipal building.

One of Tweed's three famous maxims was, "The way to have power is to take it." The other two were, "He is human," and "What are you going to do about it?" In conformity with the first maxim, Mr. Tweed took control of the city funds, besides a number of the city savings banks, and other financial institutions, which he had organized through special charters from the Legislature, which he also owned during the period of his Boss-ship.

These funds were so managed that a very tight squeeze could, at almost any time, be effected in the money market. The city funds on hand were, at that time, usually about from six to eight millions of dollars, and were deposited in the banking institutions of the "Boss." They were ostensibly under the control of the City Chamberlain, who was under the control of Tweed.

Henry N. Smith and a few other favorite members of the syndicate would draw their balances from these banks, making money scarce to the general public, and the money market would suffer a sudden squeeze, and consequently the stock market would break, sometimes with such rapidity as to produce disastrous results to a number of brokers, business houses and other financial concerns outside the Tweed Ring.

On one of these occasions Mr. Smith drove up to the Tenth National Bank, the Black Friday ring institution, in a cab, and drew his balance therefrom, amounting to $4,100,000. He took it home and kept it there several days under lock and key. In the meantime Mr. Tweed and his companions withdrew from circulation the greater portion of the amount under their immediate control, making a tie-up, on the whole, of nearly twenty millions of dollars. At that time this was an amount sufficient to make a very stringent money market, and cause Wall Street operators to feel very uncomfortable. It was then a mighty power to be wielded by a few unscrupulous men. At that time Mr. Smith considered himself worth at least five million dollars. He lost most of this in the panic of 1873, largely in Western Union stock, as above stated, into which Commodore Vanderbilt had kindly put him.

I have referred to the prominent part which Mr. Smith played in the great speculative drama of Black Friday, in the scenes and incidents of my chapter on that ever-to-be-remembered day in Wall Street

I shall, in another chapter, briefly review some of the methods to which the Tweed Ring resorted to make speculation and politics play into each other's hands, and show how a bold attempt was made to add the control of the National Treasury to that of New York.

CHAPTER XXV.

KEENE'S CAREER.

He Starts in Speculation as a California Broker.—A Lucky Hit in a Mining Stock Puts Him on the Road to be a Millionaire.—His Speculative Encounter with the Bonanza Kings.—He Makes Four Millions, Starts for Europe and Stops at Wall Street, Where He Forms an Alliance With Gould, Who "Euchres" Him and Others.—Selover Drops Gould in an Area Way.—Keene Goes Alone and Adds Nine Millions More to His Fortune.—He Then Speculates Recklessly in Everything.—Suffers a Sudden Reversal and Gets Swamped.—Overwhelming Disaster in a Bear Campaign, Led by Gould and Cammack, in Which Keene Loses Seven Millions.—His Desperate Attempts to Recover a Part Entail Further Losses, and He Approaches the End of His Thirteen Millions.—His Princely Liberality and Social Relations with Sam Ward.

One of the most remarkable up-and-down lives known to Wall Street is that of James R. Keene. His rise and fall are both of recent date.

Mr. Keene is of English parentage, and was born in London, about 48 years ago. He came to this country at the age of 17, lived in the South and studied law there. He removed to San Francisco in 1853, and became well informed in mining matters through several mining cases that were put into his hands while practising at the bar in that city. I am told he was also connected with a Western newspaper for some time. He caught the speculative fever shortly after his arrival in California, and, as it seems, abandoned both law and journalism to become a broker.

Keene had hard work for some time to make both ends meet, and his struggle for existence in the wild West made serious inroads on his health. His physician told him he must give up work, and advised him to take a long sea voyage if he intended to prolong his life. Acting on this advice, he secured his passage to the East. This was the turning point in both his health and fortune.

Prior to his departure, Mr. Keene was urged to invest a few hundred dollars in a mining stock then selling very low. The length of his journey and the change of scene caused him almost to forget about his investment, and the methods of communication between the far West and the far East in those days were so very slow that he had hardly any chance of being informed of his lucky venture until his return. As an illustration of

this slow transit of news at that time, it may be stated that gold was discovered January 19, 1848, but the news did not reach the Eastern States until the following December. It was authoritatively announced in the President's annual message, and created great excitement. Mr. Alfred Robinson, with about twenty companions, were the first to leave New York for the scene of the new El Dorado, on the bark "John Benton."

After nearly a year's absence Keene was surprised to find, on his return, that mining stocks had taken a prodigious bound upward and carried the one in which he had invested with them. The mine had turned out to be a veritable bonanza, and the stock which had cost him only a few hundred dollars was then worth over $200,000.

Had Mr. Keene's health not required his absence from the scene of speculation the chances are that he would have disposed of his stock as soon as it should have realized a few thousand dollars.

This was a wonderful realization for one who had been comparatively poor, and was sufficient to turn the head of any ordinary man; but it only made Keene more anxious for greater success, which he set himself diligently to achieve.

The speculative craze was then intense and epidemic. Waiters and chambermaids bloomed into millionaires with the rapidity of mushroom growth. Mr. Keene secured a seat in the Board, and began to do an immense business.

Flood, Mackay, Fair and O'Brien were then the prominent operators. The speculative contagion spread rapidly over the coast, and soon imparted its influence to the entire continent. Keene's further investments were crowned with similar success to that of his first venture, and even in a greater ratio of profit.

Seeing the great and rapid advance in the stocks of the Comstock mines, he naturally reasoned, like old Daniel Drew, that what had gone up so high and so fast was bound to come down. There were but few people on the coast at that time, however, in a mood to reason so soberly, and it required more than ordinary nerve to make the experiment of selling "short." Mr. Keene, however, had the courage of his convictions, and made an onslaught upon the market.

There Was a strong contingent to oppose him, for the wealthy syndicate just named, with the Bank of California behind them, were his bitter foes, and they did their best to crush him. In spite of their efforts, however, the market began to yield under the pressure of Keene's "short" sales. In a little while the list gave way and stocks began to topple from their dizzy eminence, even quicker than they had climbed to that unprecedented height. Keene netted millions in their fall. He cleared two and a-half millions in the Belcher and Crown Point mines, and over half a million in Ophir.

So, in a few years, this poor lawyer, journalist, curbstone broker and invalid, found himself the happy possessor of millions, his name covered with speculative glory, and

the fame of his fabulous fortune heralded in every city, town, hamlet and mining camp between the two oceans.

Keene was still found on the right side of the market when the great bubble burst, when the Bank of California went under, and its president, Mr. Ralston, committed suicide while pretending to take a bath in the Pacific Ocean.

In 1877 Mr. Keene started on a voyage for Europe for the good of his health, and made a friendly call in Wall Street to see how business was transacted there. He found the speculative attraction irresistible. Mahomet had come to the mountain and was held by its magnetic power.

Although Mr. Keene had been a grand success in California, he had a good deal to learn when he came to Wall Street. He soon discovered that California tactics would not do here. He began to sell "short," but found the market failed to yield to the touch of his bearish wand as it had done in San Francisco. When he sold ten thousand shares of a certain stock the decline, instead of being a slump, as he expected, was only an insignificant fraction, and the market soon reacted. Mr. Keene quickly discovered that he was throwing water into a sieve, and stopped sacrificing his California gold so lavishly.

A pool was then formed by Mr. Keene and Jay Gould to put down Western Union. Keene and Selover sold the stock in large blocks, but it was absorbed by some party or parties unknown as fast as it was thrown out. It was gravely suspected that Mr. Gould was the wicked partner who was playing this absorbing game behind the scenes. Major Selover brooded over the matter so seriously that his suspicions began to take tangible form and "body themselves forth" in violence.

The Major and Keene met one morning at the rear entrance of the Stock Exchange, in New street, and interchanged intelligent glances on the subject, after the fashion of those passed between Bill Nye and his companion at the card table with the Heathen Chinee. Selover walked down the street with blood in his eye, and meeting Mr. Gould on the corner of New street and Exchange Place, caught him up by the collar of the coat and a part of his pants and dropped him in the area way of a barber's shop.

The little man promptly picked himself up, went quietly to his office, and made a transaction by which Selover lost $15,000 more. This was his method of retaliation.

Mr. Keene next went into the Atlantic and Pacific Telegraph pool, and was again fortunate. It has been frequently asserted that he lost heavily in this deal, but I have it on good authority that he came out ahead. In the deal with Gould in Western Union, he and Gould netted on joint account $1,300,000. It is popularly believed that Gould "euchred" Keene in this pool, but these are the bare facts.

Keene looked over the speculative field, and found that there had been great depreciation in values prevailing here since the panic of 1873. He had arrived in the nick of time to take advantage of the situation. He was backed by four millions of money, and the few losses which he at first sustained were not felt by him, and only seemed to initiate him properly.

This new blood was just what Wall Street then wanted to put the wheels of speculation in motion. Mr. Keene informed himself about the principal stocks dealt in at the Exchange. He did so with remarkable rapidity. They were all down to panic prices, and seeing that most of them were intrinsically cheap, he bought heavily. Soon the turn came which resulted in the high tide of speculation which continued with but slight reactions all through 1879-80.

The advance was immense, as can be seen in the tabular statement at the end of this book, and the profits were enormous.

Keene's millions were doubled and trebled. He must have felt himself a modern Crœsus.

Fully nine millions were added to the four which he brought from California. He stood in the centre of that great pile, figuratively speaking, the cynosure of all eyes from Maine to California, and his fame was noised abroad in Europe.

Gould and other old speculators began to grow green with envy at Keene's unprecedented success. He seemed likely to exceed the wildest dreams that ever the avarice of Monte Cristo or Daniel Drew had conjured up, and with him the imaginary profits of Col. Sellers had become material realities. His investments were nearly all in good, reliable securities. No dubious paper acceptances nor rotten railroad items were mixed up with his tangible fortune, which was without parallel in Wall Street for its size and rapidity of accumulation.

The history of speculation was ransacked in vain for an illustration of such amazing success in so short a period. But here, I regret to say, this marvellous prosperity ends.

In an evil hour Mr. Keene was induced to spread himself out all over creation, while he still retained his immense interest in stocks. He was so flushed with successive victories that he began to regard failure impossible, and thought he was a man of destiny in speculation, such as Napoleon considered himself in war. He speculated in everything that came along—in wheat, lard, opium and fast horses.

Keene's attempt to get a corner in all the grain in the country, however, was a signal failure. The very week that Foxhall won the Grand Prix in Paris he himself was sadly beaten in the speculative race by the steady going farmers of the West, who sent their wheat to market quicker than he could purchase it with his thirteen million dollars, and all the credit which that implied.

All of a sudden, reversal in the tide of speculation set in. Mr. Cammack was quick to perceive that Mr. Keene was extending his lines and his ventures. He had a conversation with Mr. Gould. They became convinced that the Californian must soon be obliged to leave some of his enterprises in a weak and unguarded position. It was impossible that he could take care of them all. These two champion bears united their efforts to upset the market, and each day brought additional force to their aid. By dint of perseverance their efforts commenced to bear fruit, and it was apparent that they would soon be rewarded with success. The bears began to multiply while the bulls diminished, and the remnant of the latter that were left were anything but rampant at that time.

The bankers became timid. The brokers were inspired with the same spirit and were still calling out for more margin. Loans were called in as a part of the programme of a bear campaign, and all the machinery of depression was put in active motion. Prices were torn to pieces. Properties that had been considered good as solid investments for a long turn, were mercilessly raided, and some of them shattered to fragments. In fact, there was a regular panic. In the general slaughter, many of the brokers sold Mr. Keene's stocks out. His wheat was also sold in immense quantities at great sacrifice, and his load was lightened all around, even more quickly than it had been heaped up.

His losses are said to have amounted to seven millions of dollars at this time.

The manly efforts of Mr. Keene to recover these losses, as is usually the case in such instances, only resulted in further misfortune. Disaster followed disaster, and as he became desperate in his efforts to get back something, his losses became constantly greater, until nearly the whole of his immense pile was buried in fruitless efforts to recover a portion of it.

Great sympathy has been felt in Wall Street for Keene since his failure, for the Street had never before found such a liberal man. By general consent he decidedly took the palm in this respect, not only from all his speculative contemporaries, but the archives of Wall Street since the days of the first meetings of the brokers in the Tontine Coffee House, opposite the sycamore tree, early in the century, can furnish no such parallel of princely liberality as that of James R. Keene during the period of his matchless prosperity.

The parasites that waxed fat on his bounty and business are numerous. At least a score of Wall Street brokers were raised from penury to wealth by the commissions which they made out of him. Many of them are to-day living in luxury who started with a desk and a few plain office chairs to do business for the California millionaire, and now he is comparatively poor, and thrown on the slender resources of his wife.

Keene arose from nil to be worth thirteen millions. He is now back where he started.

A full and correct history of Keene's beneficences would fill this volume, and however much I admire him, I cannot afford to give him so much space.

I shall relate one remarkable instance of his unbounded generosity, however, as the object has been so universally known, and was himself such a popular society man.

Long prior to Mr. Keene's advent in Wall Street, Sam Ward had been a conspicuous figure in Washington and Wall Street, and had acquired a society reputation in Europe.

This gentleman was originally forced into prominence by his marriage with Miss Astor.

Mr. Ward had changed from one thing to another until finally he took up his abode in Washington, and became a lobbyist.

When Mr. Keene came to New York with his four millions of dollars, which he had made when the majority of New York investors had been on the losing side, dropping their money almost as fast as water runs down hill, through the unprecedented shrinkage in values, there was a wide field for profitable investment. This shrinkage had been going on from the panic of 1873, step by step downward until 1878, when society had reached a stratum by dint of levelling down that placed almost everybody upon an equality. Property, in many instances, became a serious encumbrance instead of a benefit, and many were glad to be rid of the responsibility of their holdings for what was sufficient to settle the mortgage. Everybody felt poor, and was really so, with a few fortunate exceptions.

Mr. Keene arrived here at the most fortunate moment for investment. Everything was down to bed-rock prices. He, therefore, became an object of actual curiosity, and was as much of a lion in our midst as he had been in San Francisco.

He was not only the favorite of fortune, but a favorite of society, which generally go together with curious inconsistency in our social democracy.

One of the first acquaintances Mr. Keene made on his arrival was this great society man, the celebrated Sam Ward, who at once recognized his social worth, not only in dollars and cents, but in considerable liabilities, genuine representatives of dollars and cents. The more tangibly he realized this fact the more tenacious was his attachment, until Mr. Keene found Mr. Ward the very *beau ideal* of Scriptural fraternity, namely, "a friend that sticketh closer than a brother."

Wherever Keene appeared, though apparently alone, it was safe to bet that Ward's shadow could soon be seen.

It is said of Seneca, when he observed a house falling, and nobody near it, that he asked: "Where is the woman?" So Keene's presence naturally suggested Ward to the mental vision of every Wall Street man and every sporting man.

Whether it was up-town or down-town, at Newport, or in London, at the Derby, or the Grand Prix, it was all the same, where Keene was, there Ward soon appeared with

the promptitude of the genius that stood before Aladdin when he touched his wonderful lamp or rubbed his magic ring.

This self-sacrificing friendship and ardent devotion on the part of Mr. Ward was recognized by Mr. Keene in the most tangible manner. He made an investment for his protege, of $50,000 in solid securities, placing them in the hands of trustees, so that his ward received the income therefrom of three thousand dollars, as an annuity, for life.

Mr. Keene bestowed numerous benefits on other newly made acquaintances, of which this is a fair sample.

A Pacific coast biographer draws the following graphic sketch of Keene, some time after his departure from California, which is curious reading in the light of the events which I have related:

> "No series of sketches of men, prominently identified with the stock interests of the Pacific coast, would be complete without a pen portrait of James R. Keene, the free lance operator of the San Francisco stock market, who dared to beard the Bonanza Kings in their den, and came off victorious with many shekels of gold and silver. Mr. Keene is no longer with us. Some time since, after having realized largely on his stock ventures, he concluded to take a trip East, to be extended to Europe, unless on the Atlantic seashore he regained the health which too active exertions on the Pacific had impaired. And so he went with his family. Those who bade him God-speed expected to see him return within a few months, certainly within a year, with recovered health, new ambitions, new conquests to make. But he comes not. New York has presented more attractions than his old love, San Francisco. Railroad stocks, Jay Gould, Sam Ward, Rufus Hatch, Long Branch, Trenor W. Park, Newport, have been too many attractions for Jim Keene. He fell into the New York market as easily as any man generally falls among thieves—but he seems to have got the best of the thieves in every issue. When it was rumored that Keene contemplated making Wall Street his headquarters, his old San Francisco friends generally wrote out their calendars, and figured up when 'Jim' would be back, bursted out and out, looking for a job. A few who had abiding faith in Keene, who knew his pluck, who had gauged his capacities, who had measured his horse sense, consulted their calendars and said: 'Jim is gone! He never will come back to couch his lance in such a narrow field as ours. New York is big, Wall Street is big—just about the size of institutions that Keene wants to tackle.' The few were right. Keene hasn't come back to look for a job. He has tried conclusions with the smartest of the Wall Street operators, and, novice that he was, came out triumphant. The California goose that was to be plucked wasn't plucked. Even Jay Gould, with all his shrewdness, gave it up as a bad job; and Vanderbilt condescends to confer with Keene on momentous occasions.
>
> "Keene started in his career as a stock operator years ago in San Francisco. He first was conspicuous as an impulsive, dare-devil sort of a street broker, acting for big firms, with an occasional dash for liberty and himself. Gradually he worked his way from steerage to cabin, from the private's ranks to the position of the lieutenant of the watch, then to officer of the day, and finally, boss of the stock concern. No man in the stock market exercised so much influence as Mr. Keene. He had hosts of friends, friends whom he grappled with hooks of steel, ready to swear by him on any and every occasion. Generous to a fault, brusque in manner at times, but with the heart of a woman, ready to melt at a moment's notice, open-handed and open-hearted to the appeal of even an acquaintance, no wonder that Jim Keene was the ideal of the market."

It is not generally known that Keene was chiefly instrumental in rehabilitating the Bank of California after the death of Ralston. He raised a large subscription in the Stock Board, and got the Hon. William Sharon, D. O. Mills and "Lucky" Baldwin to subscribe

a million each, and he put in a million himself. The bank was thus enabled to meet all immediate demands, and a threatened panic was averted.

At the time of Keene's failure he was chief of a syndicate which had purchased 25,000,000 bushels of wheat, which would soon have netted many million dollars of profit, if it had been firmly held, but one or two of his partners in the pool became timid and sold out. The syndicate went to pieces, and both profits and capital vanished. He laid his misfortune mainly to the newspapers which raised such a universal cry about the immense "corner" that was being manipulated in wheat, threatening a famine in the great staple of human life.

Keene was next shaken out of his stocks. This was done chiefly by an ably concocted scheme of the bears, and he had the mortification of seeing the stocks which he had held advance within a few months' time to a point that would have enabled him to realize ten million dollars, if he had been able to hold them.

CHAPTER XXVI.

OUR RAILROAD METHODS.

Deceptive Financiering.—Over-Capitalization.—Stock "Watering."—Financial Reconstructions.—Losses to the Public.—Profits of Constructors.—Bad Reputation of our Railroad Securities.—Unjust and Dangerous Distribution of the Public Wealth.

The following chapter, on the subject of "Our Railroad Methods," was delivered by me as a Fourth of July address at Mr. H. C. Bowen's Annual Symposium at Woodstock, Conn., to an assemblage of over 3,000 people. It was so favorably received by the press and the public in general, that I have been encouraged to publish it in this book without any material changes:

In the whole range of our law-making there is no one branch in which there has been such an utter lack of judgment, foresight and just regard for the rights of the citizen, as in the legislation provided for our railroads and railroad companies. For the most part, the statutes relating to this class of corporations are a set of general enactments, loosely defining the large powers granted to the incorporators, comparatively silent on the duties and obligations of the companies to the public, and conferring upon them a virtual *carte blanche* as to their methods of finance and of conducting their business.

In a country whose products are mainly bulky, and have to be carried to markets hundreds or thousands of miles distant, it is of the first moment that its railroads should be built with the strictest economy and on the lowest possible capitalization. The low cost of land and the cheapness of material for road-bed are especially favorable to our securing this advantage; but the laws have permitted a system of inflated financiering which neutralizes these natural adaptations and immensely increases the cost of transportation.

As railroads have to be largely built with borrowed money, their construction in this country afforded an opportunity for establishing credit relations with the great lending centres of Europe, which might have been of incalculable value in promoting the development of our vast resources in various directions. England, Holland and Germany have indeed loaned us very large amounts for railroad enterprises; but the law has permitted these undertakings to be conducted with so much concealment, misrepresentation and actual fraud, and has so disregarded the rights of the bondholders, that American credit has become a scandal and a by-word on the European bourses. The result is, that foreign capitalists are seeking other fields of investment; and their respective Governments are encouraging them by opening up new colonies, and thus getting fresh sources for the supply of products which otherwise would have continued to be readily taken from the United States. Such are the rewards of immoral financiering; and these bad methods are directly traceable to the encouragements afforded by our negligently constructed railroad laws.

Perhaps I may best succeed in making myself understood on this subject by illustrating the way in which our railroads are usually built. Under the laws of the State of New York—which are a fair sample of the laws of most other States—a number of persons form a company under the general railroad laws, registering at Albany the proposed route of the road, the amount of capital stock and bonds to be issued, and a few other particulars required in the papers of incorporation. The incorporators then proceed to form themselves into a syndicate or company, for the purpose of contracting to build and equip the road. Here comes the first step in the system of "crooked" financiering. In their capacity of incorporators, the same men make a contract with themselves, in the capacity of constructors. Of course, they do not fail to make a bargain to suit their own interests. They would be more than human if they did. Usually, the bargain is that the construction company undertakes to build the road for 80 to 100 per cent. of the face value of the first mortgage bonds, with an equal amount of stock, and sometimes also a certain amount of second mortgages thrown in, virtually without consideration. The first mortgages are supposed to represent the real cash outlay on the construction and equipment; but, as a matter of fact, the true cash cost of the work done and materials furnished ranges from 60 to 80 per cent. of the amount of first lien transferred to the constructors. The Construction Company disposes of the bonds, partly by negotiating their sale to the public through bankers, at an advance upon the valuation at which they had received them, and partly by using them in payment for rails and equipment. Beyond the profits made from building the road for the first mortgage bonds, there remains in the hands of the constructors the entire capital stock and any second mortgage bonds they may have received, *as a clear bonus*, to be held for future appreciation, and to keep control of the Company and be ultimately sold on a market deftly manipulated for that purpose.

This is the way in which a large majority of our railroads have been and others are still constructed. It will thus be seen that the actual cash cost of a railroad is ordinarily less than 60 per cent. of the stock and bonds issued against the property, and that its first mortgage exceeds the amount of the legitimate actual cost of the road.

The basis of all the discredit, the embarrassments, the bankruptcies and the robberies of our railroad system is thus laid at the inception of the enterprises. They rest upon an intrinsically rotten and dishonest foundation; and the evil is far from having reached the end of its mischief to the financial, political and social interests of the country. In some few cases, railroads thus exorbitantly capitalized have proved able to earn the interest on their debt, provide for additional outlays on construction and betterments, and even to pay dividends on their stock; but, in a large majority of cases, they have had to undergo a process of financial reconstruction, in order to bring the debts of the Company within its ability to meet its fixed charges. It is not a risky estimate to suppose that of our present 125,000 miles of railroad, with its $7,500,000,000 of stock and debts, 60 per cent. has undergone this process of debt-scaling and rehabilitation. Were it not that the new roads have opened up new country for settlement, which has become an immediate source of traffic, these bad financial results would have been more general and worse than they have proved to be. The risks attending the building of lines into unsettled regions ought to have been a reason why they should be constructed upon conservative principles; but, in reality, the prospects of settling new populations and of tapping new sources of wealth, have been so magnified to the eyes of distant and credulous lenders as to enable the speculative constructors to easily consummate their illegitimate schemes.

The general result of this system of financiering has been to deprive the legitimate original investors of their chances of making a fair return out of their investment. As a rule, the bondholders have provided all the capital expended, and the stockholders have invested nothing. The bondholders incur all the risks; the stockholders have no responsibilities. If the enterprise proves a success, the bondholders get their interest, while the stockholders, without a dollar of original outlay, get vastly more than ever falls to the mortgage creditors through the stock becoming an instrument of profitable speculation. If the enterprise is a failure, the bondholder has to forego interest and finally to accept a new mortgage for a less amount and at a lower rate of interest; whilst the original stockholder has, in the meantime, made money out of artificially "booming" the shares in Wall Street.

The profits realized on these speculative constructions are enormous, and have constituted the chief source of the phenomenal fortunes piled up by our railroad millionaires within the last twenty years. It is no exaggeration to characterize these transactions as direct frauds upon the public. They may not be such in a sense recognized by the law, for legislation has strangely neglected to provide against their perpetration; but, morally, they are nothing less, for they are essentially deceptive and unjust, and involve an oppressive taxation of the public at large for the benefit of a few individuals, who have given no equivalent for what they get. The result of this system is that, on an average, the railroads of the country are capitalized at probably fully 50 per cent. in excess of their actual cost. The managers of the roads claim the right to earn dividends upon this fictitious capital, and it is their constant effort to accomplish that object. So far as they succeed, they exercise an utterly unjust taxation upon the public, by exacting a compensation in excess of a fair return upon the capital actually invested. This unjust exaction amounts to a direct charge and burthen on the trade of the country, which limits the ability of the American producer and merchant to compete with those of foreign nations, and checks the development of our vast natural resources. In a country of "magnificent distances," like ours, the cost of transportation is one of the foremost factors affecting its capacity for progress; and the artificial enhancement of freight and passenger rates due to this false capitalization has been a far more serious bar to our material development than public opinion has yet realized. The hundreds of millions of wealth so suddenly accumulated by our railroad monarchs is the measure of this iniquitous taxation, this perverted distribution of wealth.

This creation of a powerful aristocracy of wealth, which originated in a diseased system of finance, must ultimately become a source of very serious social and political disorder. The descendants of the mushroom millionaires of the present generation will consolidate into a broad and almost omnipotent money power, whose sympathies and influence will conflict with our political institutions at every point of contact. They will exercise a vast control over the larger organizations and movements of capital; monopolies will seek protection under their wing; and, by the ascendancy which wealth always confers, they will steadily broaden their grasp upon the legislation, the banking and the commerce of the nation.

The illegitimate methods by which the wealth of this class has been accumulated cannot always remain a mystery to the masses. The time will come when every citizen will clearly perceive how his interests have been sacrificed for the creation of this abnormal class; and, when that time comes, a series of public questions will arise that will strain our political institutions to their very foundations. Already the working masses begin to see the dim outline of the gigantic wrong that has been inflicted upon them in common with all other classes. If they do not understand the exact method by which a portion of the rewards of labor has thus been diverted from them, they clearly comprehend which is the class responsible. The labor troubles that have so seriously shaken confidence during the spring of this year have been largely stimulated by an idea that a serious wrong has been done to the workman in the creation of these abnormal fortunes. It is not surprising—although it may lead to disappointing results—if workingmen should reason that, if railroads can afford to make a few men so wonderfully rich, they can afford to pay their employees higher wages and for shorter hours. Nor can we wonder if, when capitalists are on every hand piling up their wealth by the tens of millions, the laborer should conclude that he ought to be able to get a few dollars a week more, or deduct an hour or two off his day's work, without very seriously hurting the employing class. This may be and is very fallacious reasoning; but it is what might very naturally be expected under these circumstances, from a class who are not trained to think beyond surface depth. It will be of no avail to tell the workmen that this unjust distribution of wealth is final and irrevocable; that there is no power of redress by which a wrong of this nature can be righted; or that, as voting citizens, they are as much responsible as anybody else for permitting the neglects and defects of legislation that have made these inequalities possible. This class never reason either calmly or logically, and it will take a great deal of fruitless agitation to satisfy them of the hopelessness of their methods of seeking reparation.

The Socialistic seductions which have captivated such large masses of the working population of Europe will all the more readily find acceptance among our millions of laborers because they have before their eyes such conspicuous instances of the unequal division of wealth and of the overwhelming power

of organized capital. Certainly, if any facts could be supposed to justify the doctrines of Socialism and Communism, it would be the sudden creation of such fortunes as those which, within a very few years, have come into the hands of our railroad magnates. A few years later, the public will understand much better than it now does how facts like these have contributed to the raising of questions of government which will dangerously test the cohesion and endurance of our political institutions.

Artificial methods of establishing our railroad corporations have naturally led to artificial methods of regulating their operations. Over-capitalization incapacitates the roads for competition; for it necessarily holds out a temptation to parallel existing roads by others at a lower capitalization. As roads running between the same points were multiplied, competition for "through" business became more active, until not only were dividends threatened on some of the best lines, but some roads were driven into default on their mortgages. At this point the "pool" was introduced—a device by which all lines running between the same points agree to put their business from through traffic into a common aggregate, to be distributed among the several members according to certain accepted percentages. It was hoped that, in this way, uniformity of charges could be maintained, at such rates as were necessary to make the business satisfactory to each member. This, however, was soon found to be a step "from the mud into the mire." The pool was discovered to operate as a premium on the construction of new parallels.

Speculators were quick to perceive that they could build new lines on the same routes for much less cost than the old ones, and that, with a lower capitalization, they could easily compel the pool to admit them to membership, with all the privileges of a ready-made traffic and with all the guarantees the pool could afford of exemption from competition, and of ample charges. Thus, the pools that, in the first instance, were made necessary through the evils of speculative methods of construction, became, in turn, the source of a new and even worse form of the same evil. New roads were built, or sets of old detached ones were connected, so as to afford additional parallels to the existing trunk lines, with no other object than to compel the latter to support them by dividing with them a portion of their traffic, or to accept the alternative of a reckless cutting down of rates. The end to this viciously excessive system of construction can only come when the pools have been reduced to such a low condition that they will no longer care to take newcomers into their co-partnership; in which case speculative builders will see no chance for profit in such ventures. The fate of the "Nickel Plate" and of the West Shore speculations, by which nearly 1,000 miles of needless road was built to divide traffic with the Vanderbilt system, serves as a warning against the danger of building roads to live upon pool support; but, nevertheless, the Eastern trunk pool still stands exposed to a great deal of harassing outside competition from possible and contemplated new combinations of existing detached links. Routes of the latter kind are even more formidable competitors than new lines, because they can be provided at a lower capitalization, and have already the support of an established way traffic. It would not be surprising if, within the next three or four years, several new routes should in this way be established between New York and Chicago.

It will thus be seen that the very contrivance intended to stave off the vicious effects of artificial capitalization is contributing, by a sort of punitive process, towards the end of reducing earnings to a just ratio to the true value of the properties. The weakness of the pool, arising from its temptations to new competitors to enter the field, is not the only cause of its failure. Up to this time it has been found impossible to find a form of pool stringent enough to restrain the members from cutting rates against each other. The modes of possible evasion are so numerous, the sacrifices of special advantages that each member has to make are so galling, the small share that remains to each road in a numerously divided business is so small, and the temptations of agents to get freight "by hook or by crook," in dull times are so irresistible, that the strictest watching and the severest penalties fail to secure a faithful observance of the pool agreements. Much forbearance is shown towards transgressions, and deliberate violations have to be condoned or connived at; but, all the time, the pools are in imminent danger of jealousies and breaches of faith causing their disruption. No sooner have they won public confidence by maintaining harmony through a period of prosperous business, than the public wake up to find that some member has been secretly "cutting," and the agreements are torn to pieces.

The result is, that the public have lost all confidence in the ability of the pool to regulate competition; and, still worse for the railroads, their managers are losing faith in them also. The great crucial test of this

expedient so far as respects the Eastern lines, is likely to come when the number of smaller outside competitors, of the character just alluded to, comes to be increased. The pool will not be likely to admit them into its fold, which already includes too many diverse interests to permit of harmony; and if it did, the danger of disagreements and disruption would be only thereby increased. And yet, if those routes are shut out, they will act as so many free lances, attacking the older lines in every direction, and doing business at rates which will leave the pool companies no alternative but to follow suit. In this dilemma, the outlook for some time ahead is not an encouraging one for the older companies. To my view, it seems very probable that their original sins of construction and their subsequent transgressions of stock "watering" are about to find them out. The natural law of competition is a terrible foe to the violators of commercial justice. It is the inevitable police power of trade. Its working may be evaded for a time; its final conquest over wrongs and monopolies may sometimes be delayed beyond the limits of human patience, and men may at such times lose confidence in its power to right the wrongs of society; but its ultimate success in the restoration of equity and fair-play is as certain as the rising of the sun.

My absolute confidence in the ultimate triumph of this principle prompts me to venture the assertion that, *at no very distant period*, the wrongs practised in the original construction of our railroads and in the subsequent "waterings" of their stocks, will be compensated through competition adjusting the profits of the companies to the equivalent of a fair return upon a *true valuation* of the properties; that is, a value measured by what they are able to earn under the conditions of free competition and the now current cash cost of providing like facilities. That, it appears to me, is the solution towards which our railroad problem is now steadily working; and neither Congressional legislation, nor State regulation, nor the resistance of organized capital, can be expected much longer to stave off that result.

It may, however, be very properly asked, whether legislation has no duty in the premises? To me, it appears that it has a very weighty one. The consequences of the original neglect to prescribe proper regulations for the construction, capitalization and financial management of railroads has been so fully exposed by their past history, that the Legislatures will greatly err if they neglect to impose restrictions upon future corporations that will prevent farther repetition or perpetuation of the evils. When the Government bestows upon railroads important privileges and franchises, under which fundamental private rights are held in abeyance for the common good, it is due to the public protection that the recipients of these favors should be held under restrictions which will prevent them from abusing the privilege to the public disadvantage.

When a railroad company capitalizes its property at double its actual cost, and seeks to collect charges calculated to yield dividends upon such false capital, it grossly perverts and abuses the privileges conferred by its charter, and virtually perpetrates a public robbery. This appears to be a perfectly plain proposition, and yet this glaring wrong has been so long tolerated that not only the railroads, but a portion of the public even, have come to regard it as a sort of right inherent in these corporations. One of the first duties of the State Legislatures, therefore, is to enact laws requiring that the stocks and bonds issued against any railroad hereafter built shall, in no case, exceed in the aggregate the *true cash cost* of the property; the penalty for the violation of this restriction to be forfeiture of charter. The responsibility of managers should be definitely fixed. All extensions, betterments or improvements should be provided for by issues of stock or bonds on like conditions. The issue of mortgages should be restricted within 60 per cent. of the true cost of the property.

In order to prevent wrongful speculative profits being realized by the incorporators, they should be prevented from becoming the constructors of their road, directly or indirectly; and all contracts for construction, equipment, extensions or improvements should be made upon open competitive bids, the lowest bid to be accepted, with substantial guarantees for the faithful performance of the contract. Also, it should be made the duty of a board of State railroad commissioners to see to it that all these conditions are strictly complied with. Regulations should be provided prohibiting issues of stock for any other than construction or equipment purposes, forbidding the payment of dividends not actually earned, and enforcing the amplest publicity of details relating to current traffic and the financial affairs of the companies.

Had our original railroad laws incorporated provisions of this character, our railroads would have all along ranked as the safest and most stable investments of the country; the discredit that hangs over our corporate enterprises would have been averted; transportation would have been done at lower rates with steadier charges, and we should have been saved the social and political excrescence of an aristocracy based upon ill-gotten wealth. After our bitter experience of the dangerous results of neglecting to guard the railroad interest by some such restraints as the foregoing it surely is not too early now to apply these safer methods to all future enterprises of this character. Not only is such legislation due as a measure necessary for the protection of our commerce and investors, but it would go very far towards remedying the evils that have grown up under the old and badly regulated system. To a man of business it is hardly necessary to point out what would be the competitive advantages of roads constructed under the proposed regulations. As a rule, their capitalization would not exceed 50 to 60 per cent. of that of the older companies, and they could, therefore, be run upon a much lower rate of charges.

The thoroughly conservative nature of their organization would bespeak fer them a degree of public confidence which would enable them to get all the capital needed for really legitimate undertakings, whilst purely speculative ventures would be put under conservative check. Under these circumstances new roads could do a profitable business, and yet compete disastrously with the old excessively capitalized companies. The ultimate result of this competition from the new order of roads would inevitably be to reduce the earnings of the older class to a point which would admit of interest and dividends being earned *only on the same rate of capitalization as existed among the new-system companies*. In other words, the effect of the honest method of capitalization here suggested would be to squeeze all the “water” out of the old companies, and to bring them in effect, though possibly not in form, to the same financial level as the new.

If my reasoning here is correct, there is cause for our great railroad capitalists to look out for the security of their investments. The basis for their wealth may prove far less certain than they have imagined it to be. With the prevailing and steadily increasing public feeling against the methods of railroad capitalists and the working of our railroad system, what assurance can there be that, when a remedy for these corporate wrongs comes to be clearly propounded, it will not be eagerly urged upon the attention of the Legislatures and adopted without much ceremony? The dash of a Governor’s pen is, therefore, all that stands between the railroad millionaire and the sudden extinction of a large portion of his inflated paper wealth. Is this a chimerical conclusion? The question, it seems to me, deserves a far more serious consideration than those most vitally concerned have yet bestowed upon it. No man can confidently deny the possibility of such a result as is here indicated. No one familiar with the present public temper on the subject of railroad monopoly can reasonably question *the probability even* of a settlement of this kind being ere long resorted to. Under these circumstances, it is a question very pertinent to the times, whether the foundation of our railroad aristocracy is as broad or as firm as it has been supposed to be, and whether a healthy solution of the great railroad problem is as difficult and as remote as some despondent people have represented it to be.

A ONE THOUSAND DOLLAR BOND OF THE STATE OF GEORGIA.
Repudiated.

CHAPTER XXVII.

GEORGIA REPUDIATION BONDS.

How a Sovereign Southern State Cheated the Northern Men who Helped Her in Distress.—A New Way to Pay Old Debts.—Cancellation by Repudiation of Just Claims for Cash Loaned to Sustain the State Government, Build Public Schools and Make Needed Improvements.—Bottom Facts of the Outrage.—The Recent Attempt to Place a New Issue of Georgia Bonds on the Market, while the Old Ones Remain Unpaid.—The Case Before the Attorney-General of the State of New York.—He Examines the Legal Status of the Bonds in Connection with the Savings Banks.—His Decision Prohibits these Institutions from Investing the Hard Earnings of the Working People in these Doubtful and Dangerous Securities.—A Bold Effort to have the Fresh Issue of Georgia Paper Put Upon the List of Legitimate Securities of the New York Stock Exchange Firmly Opposed and Eventually Frustrated.—Reflections on the Bad Policy which Advocated Repudiation and Has Injured Georgia Credit in the Eyes of the World.—General Observations upon the Nature of Repudiation of States' Debts, and the Moral Influence on the General Credit of the United States.—Successful Appeal of Bondholders of the Repudiated Bonds to the Stock Exchange.

One of the saddest events of my business experience arose from the purest motives on my part, to aid the South in the work of reconstruction, in the way of which, as I have stated in the previous chapter, President Johnson threw the greatest obstacles.

I ventured my money and offered my friendship at a time when that section of the country stood in need of both money and friendship, and used my best efforts to bring about the return of such feelings of fraternal harmony as should exist among all the citizens of this great country. For these kindly offices I was treated with the basest ingratitude by some of the Southern States.

I held a large amount of Southern securities, all issued for full value received, which went into the internal improvements of that section, enhancing the taxable value of its property. These securities bore the great seals of the Sovereign States of Georgia and Alabama.

The dishonor attaching to repudiation in these instances has been brought out in more glaring colors, from the fact that these States have long since become abundantly able to

liquidate their obligations, and to erase the black spot from the escutcheons of their chivalrous people.

The people themselves are not so much to blame as the disreputable politicians into whose hands the management of their affairs had fallen.

It is of the sovereign and high-toned State of Georgia that I have most occasion to complain. On account of the bad faith of that State, through her political managers, I suffered a terrible reverse in my fortune, which came near crushing out my financial existence.

It is not, therefore, surprising, I think, that having placed my faith in the integrity of that State and the promises of its officials and governing power, and having been so basely deceived, that I should now be aroused to act in self defence, fight for my rights and do all in my power to cause the bonds or securities for which I paid good money to be redeemed, and to have my just claims satisfied. It has therefore, been incumbent upon me to leave no stone unturned in fighting this battle, with the hope of recovering the money, or a part of it, that was filched from me through the ostensible defalcations of these sovereign and chivalrous States.

About thirteen years ago the repudiation which has reflected such disgrace upon the South became prevalent in that section, and took the character, for a time, of a severe financial epidemic.

It was for this reason that the Legislature of the State of New York, as well as the legislatures of several other States, considered it necessary for the protection of the savings banks, which are the custodians of many hundreds of millions, chiefly of the hard earnings of the working people, to prohibit these institutions from investing in, or loaning upon, the securities of any State in the Union that had within ten years previously repudiated any of its lawful obligations.

The laws of the State of New York, in chapter 409, section 260, of the laws of 1882, provides that savings banks shall be prohibited from investing money in stocks or bonds of any State which, in the language of the statute, “has within ten years previous to making such investment by such corporation defaulted in the payment of any part of either principal or interest of any debt authorized by any legislature of such State to be contracted.”

It was for this reason that the newly issued securities of some of the Southern States have been unable to find a resting place in the monied institutions of the North.

The State of Georgia, recently finding that she had some obligations becoming due, and seeing that money was cheap in the North, and that more than ten years had expired since she repudiated her former obligations, thought there was a good opportunity of

issuing a fresh batch of these so-called securities, similar to those that had been dishonored in 1873.

The politicians of Georgia thought there was a good opening in the State of New York to remove the restriction placed upon the savings banks in 1882. They saw that the Governor and the Legislature were both Democratic, with a Democratic Attorney-General also, and therefore determined to take advantage of this political condition, which they supposed was highly favorable to their scheme of stealing a march upon the holders of the old repudiated bonds of Georgia, who had been chiefly instrumental in getting the act passed for the safety of savings banks' depositors in the State of New York.

The Georgia politicians aimed at having the restriction of the savings banks removed, so far as it related to their State, in order to afford them an opportunity of issuing several millions of 4½ per cent. bonds for the purpose of taking up an old issue of the 7 per cent. bonds, thus effecting a considerable saving to the taxpayers of their State in this reduction of interest.

With the purpose of having this matter arranged as quietly as possible, two of the ablest lawyers of the State of Georgia were surreptitiously sent to Albany to make argument before the Attorney-General, Mr. Denis O'Brien, and to attempt to convince that official, in a very plausible manner, why the restriction should be removed from the savings banks in the case of Georgia. No opposition was expected, and the enthusiastic hope was indulged by those who were engineering the scheme that upon this *ex-parte* statement of these astute Georgia lawyers a favorable opinion would be elicited from the Attorney-General of this State, which would justify the Superintendent of the Bank Department in issuing an order to remove the restriction which precluded the savings banks of New York from investing in Georgia bonds, on the ground that the State had not repudiated within ten years. The repudiation could be traced back thirteen years, instead of ten.

Pursuant to this application, a small item of a few lines appeared in one of the Atlanta papers, which stated that Mr. Calhoun had just returned from Albany, having made a very strong and forcible appeal to the Attorney-General there, urging him that the restriction on the part of the savings banks be removed so far as Georgia was concerned.

This item was telegraphed to me, and on receiving the despatch I notified the holders of the repudiated bonds, and wired the Attorney-General asking him when a hearing of the other side could be had.

When the day arrived for the hearing before the Attorney-General, Mr. Calhoun was surprised to find that there was any opposition to his application, as the business had been so quietly managed that it was supposed by the Georgia members of the Bar that

the bondholders would hardly be apprised of it until everything should be fixed according to the pre-arranged programme, and in favor of the repudiating State obtaining fresh and unlimited credit without settling up the old score. Mr. Calhoun was assisted in his able argument on the sovereign right of repudiation by the Hon. N. J. Hammond, Member of Congress and ex-Attorney-General of Georgia.

In reply to these great lights of the Southern Bar, whose genius would have shone more brilliantly in an honest cause, I made the following address:

Henry Clews' speech before the Attorney-General of the State of New York, June 20, 1885:

> The original act of repudiation by the State of Georgia has been repeated each six months since that period to the present date, by the refusal of the State to recognize and pay the coupons on said bonds as they matured. This alone repeats the repudiation of that State twice each year for the past ten years at least, and therefore is a continuance of the repudiation from the time of the original vile act up to the present date; besides which, the bonds repudiated had twenty years to run. The maturity of said bonds does not expire until 1890. The repudiation should be considered, therefore, as continuous during the entire period, from the date of the issue of said bonds until 1890, five years hence. If it is to be accepted that the test of a State's credit is to be able to show a record free from fresh repudiation for a period of ten years, and that repudiation is not a continuous repudiation until such obligations are fully settled and provided for, what is to prevent a State from negotiating a fabulously large amount of bonds, and thereby place an amount sufficiently large in her treasury to admit of bridging over for the required ten years, and, after making such ample provision, then pass an act, as heretofore, repudiating the bonds issued, and keep repeating it each decade? Supposing the same rule held good with a bank robber—and there is, as far as integrity goes, really no great difference between the two, only one seeks protection in Canada and the other behind her sovereign rights, which is her Canada refuge. The robber breaks into a savings bank, guts it of several millions of dollars, flees to Canada, and there lives in affluence for ten years. How silly it would appear if, after ten years, provided he could show a record free from thieving during that time, he had the legal right then to come back, and thereby be entitled to a clean record as an honest man, and in consequence be accorded a high credit. The position of the State of Georgia in assuming such a role, in coming here at this time to ask our savings banks to aid her in such a nefarious business, simply lacks a parallel for audacity. The management of savings banks must be conducted so as to inspire confidence with the depositors and with the entire community also. It is necessary, especially at panic periods, for full confidence to be felt in the investments of such institutions. If the prohibition is removed, as is now sought to be, and savings banks be permitted to invest in Georgia securities, and one of them should buy $500,000 of the bonds, I venture the prediction that such an investment will sooner or later form the basis of a rumor which will cause a panic among its depositors and break that institution. This would result in a most serious disaster to probably thousands of poor people whose money had been lodged there for safe-keeping. The mere whisper during a panic that a certain institution had $500,000 of Georgia bonds, and they were about to be repudiated, would bring about just such a disaster as I have stated.
>
> I ask your Honor if it would be wise for any savings bank to be permitted by the Superintendent of the Banking Department to become thus exposed to ruin? A State that is abundantly able to meet her obligations and dishonors them is too despicable for either credit or tolerance in a civilized community, and it is a disgrace to the nation that States comprising it have the power to make such obligations and repudiate them at will and screen themselves behind their sovereign rights, whereby they cannot be sued, and in consequence leave the outrageously wronged innocent bondholders without means of redress whatsoever. If the United States Government ever expects to obtain that permanent high credit in the money markets of the world to which the immense resources of this magnificent country justly entitle her, the great and growing evil of State repudiation must be remedied. For States to repudiate with impunity,

as the State of Georgia has done, leaving no means whatever for redress on the part of the victimized creditors, is a blot upon the escutcheon of the whole country. This is not a fight, your Honor, on the battle field against the South; it is a fight on the financial field, and, as it is second only in importance to the other, it must be settled, and now is the time to strike the blow, as it will do the most good in that direction. We, the creditors of Georgia, have not only borne the loss and hardship of having our securities made valueless by a legislative body, and many of us ruined thereby, but we have also been vilely defamed—being branded as conspirators to rob the State—simply because we were found to be holders of these dishonored bonds. This has been done by the State to cover up her own infamy, and make it appear that we were the guilty parties and not the State. The attitude of the State of Georgia, your Honor, is not unlike that of a pickpocket, who, after rifling his neighbor's pockets, is the first to cry "stop thief" to elude detection. All that the bondholders ask and claim is to have the entire case submitted to a proper judicial tribunal. This right we have been denied by the State, and the Constitution leaves us powerless to enforce it. The State simply says, the bonds are fraudulent and we will not pay them. It is a very remarkable circumstance, however, that there has not been a single one of the numerous officials, from ex-Governor Bullock down, who were connected with the issue of these so-called fraudulent bonds, prosecuted to conviction in the thirteen years that have intervened since their issue. Still these bonds are all repudiated on the ground of being fraudulently issued, and the innocent bondholders alone are made to suffer the harsh penalty imposed for having staked their money on their belief in the honor and integrity of the people of Georgia, which it is quite apparent are now *non est*.

I addressed a letter to your Honor on May 27th last, which contains important information in connection with these repudiated bonds. I ask permission to read this letter at the present time, so that it may become a part of the evidence in this case.

The following circular letter contains a variety of opinions analyzing the true relations of the State of Georgia to her creditors, and clearly setting forth the nature of her liability in the matter of the repudiated bonds in connection with the house of which I was the head:

REPUDIATION ROBBERY BY THE "SOVEREIGN" STATE OF GEORGIA.

"*The divine doctrine of State Sovereignty, which makes a State too dignified to be sued for its debts, ought to make it also too respectable to cheat its creditors*"

NOTICE.—Managers of Insurance Companies or Savings Banks should be and are likely to be held responsible, by stockholders and depositors, for any losses incurred in the event of their buying or loaning upon any bonds issued hereafter by States which are under the cloud of repudiation.

NEW YORK, May 27, 1885.

HON. WM. A. POST, *Deputy Attorney-General, Albany, N. Y.*:

DEAR SIR:—I deferred answering your telegram of Saturday until this morning for the purpose of ascertaining whether the bondholders' counsel would be in readiness to meet you at the time proposed, and only ascertained the fact this morning that he would, so I wired you accordingly. I presume that this Georgia repudiation question comes before you for the purpose of removing the prohibition from the savings banks of this State to their buying or loaning upon Georgia State bonds, owing to that State being under the cloud of repudiation. The prohibition of the savings banks, issued by Mr. A. B. Hepburn, the

former Superintendent of the Banking Department, was based upon a thorough and exhaustive examination in reference to all matters appertaining thereto. This I have reason to know, as that gentleman visited New York and took my testimony and others in the case. The State of Georgia has always charged, as the justification for repudiation, that R. B. Bullock, Governor at the time of the issue of said bonds, had issued the bonds without proper legislative authority, and besides had stolen or misappropriated most of the avails. About three years since Governor Bullock visited Atlanta, Ga., and demanded his trial under the several indictments against him. The trial came up soon thereafter, and he was acquitted on all the charges. This gentleman is now a resident of Atlanta, Ga., and is to-day one of its most prominent citizens. It has been also charged that as he was a Northern born man, that he was a "carpet-bag" Governor, and for that reason the bonds were not a legal issue. That attitude is also unwarrantable, as the ex-Governor remained South during the period of the entire war, and took a prominent part on the Confederate side, in giving aid and comfort, and thereby can justly be considered as being a Southerner and not a Northerner in his interests and feelings. Most of the bonds repudiated were passed upon as legally issued and properly signed, by our best lawyers, such as Messrs. Evarts, Southmayd & Choate, ex-Judge Emott, Abbott Bros., E. Randolph Robinson, the brother of Judge Sedgwick, of this city, and others.

Some of these repudiated bonds were also passed upon by the New York Stock Exchange, and because repudiated were afterwards stricken from the list of securities to be dealt in. The face of these securities were worth par a few days prior to their repudiation, and immediately after that Act was passed were reduced to no more than the value of the paper upon which they were engraved. The same may at any time be the fate of any new securities to be issued by that State. Those who had these bonds were and are innocent parties, and among the sufferers are Trust Companies and savings banks. The Metropolitan Savings Bank holds $100,000 of the 7 per cent. Georgia gold bonds, bought about par; the Brooklyn Trust Trust Co. holds $100,000; the Union Trust Co. holds $100,000; the Commercial Warehouse Co. held between $300,000 and $400,000 of the bonds, and their repudiation caused the failure of that institution. The New York State Loan and Trust Co., Henry A. Smyth, President, also had $100,000 of the bonds, which loss was largely instrumental in causing the collapse of that concern. The Broadway National Bank holds $200,000 of these bonds as collateral, upon which they loaned $160,000; Morton, Bliss & Co., Morris K. Jesup, Drexel, Morgan & Co., Ezra A. Boody, George Morgan, son-in-law of J. S. Morgan, of London; J. Bowman Johnson & Co., Richard Irvin & Co., L. Von Hoffman & Co., Russell Sage and many other first-class parties that I can name are prominent sufferers resulting from Georgia's repudiation; besides which, my firm in 1873 held over $2,500,000 State of Georgia securities, all of which had been paid for or advanced upon, and my firm's suspension at that time was attributable thereto.

The only way to do, in my judgment, is to make the Southern States which are now under the serious cloud of repudiation, understand that their credit is impaired and facilities for obtaining money materially lessened because of it. Then, realizing *that* as their position, and finding that they are shut out of the financial markets of the world owing thereto, they will soon make a compromise with their lenient creditors, and remove the blot from their escutcheons. The Federal Government is comprised of the various States of the Union, and to-day enjoys as high a credit as any nation in the world. If the various States comprising the United States are permitted, however, to repudiate with impunity and screen themselves behind their sovereign rights so that creditors have no recourse, the odium will soon fall upon the General Government, and its credit will finally become tarnished if not crippled in consequence. The State of Georgia, as can be proven, received full value. The internal improvements in Georgia bear testimony of this. The taxable property of the State has been immensely enhanced by these improvements, and the debt repudiated is a mere bagatelle as compared with the ability of the State of Georgia to provide for it. She has become rich in late years, and if the stain of repudiation should be wiped out, would stand an excellent chance of becoming a favorite resort for emigration and for the flow of capital. Emigrants from other countries to this, in locating, first look to the credit enjoyed by the State their attention is called to, and if found high, their conclusion is that there is safety for property, and if so, corresponding safety for life; but they will not go to a repudiating State, and in this way the South is held

in check in the development of her resources, owing to the want of new blood. The bondholders of the State of Georgia have frequently offered to leave all points at issue in reference to Georgia's repudiation to the Courts of that State, to the United States District Judge, or to arbitration, the parties to be selected by both sides, all of which has been denied, the reply being the "bonds are repudiated, and we simply will not take any steps to provide for their recognition or payment, and what are you going to do about it?" Under the circumstances, creditors are powerless, of course, to do anything, as the State cannot be sued. If you desire it, I will send you a sample bond of some of the issues repudiated, so that you may see how beautifully the signatures are written, and how firmly fixed the seal of the Commonwealth is placed upon them, besides the magnificent steel engraved workmanship of the Continental Bank Note Company of this city. If there was not a prospect of the State of Georgia being forced by public opinion to provide for these bonds at some future time, they would be worthy to be framed and hung up in our parlors as a complete and fine work of art.

Judge Lochrane, former Chief-Justice of the State of Georgia, has wired me that he will appear before you on Wednesday; Colonel R. A. Crawford, of Georgia, will also do so; Messrs. Abbott Brothers, of this city, and others will appear before you.

You will please append this communication as a part of the testimony, and should you desire more on the subject, call upon me therefor.

I have the honor to remain,

Your obedient servant,

HENRY CLEWS.

EDWARD BRANDON, ESQ., *Chairman of the Committee on the Admission of Securities to the N. Y. Stock Exchange*:

DEAR SIR:—It is currently reported that the State of Georgia is about to apply to your Committee to list a new issue of bonds. In behalf of myself and others who have suffered most seriously by that State's unwarrantable repudiation of bonds, which have as full a right to an equal standing as representing the credit of the State of Georgia as possessed by the new bonds to be issued, and fully realizing that the cruel fate of the former merely represents what may be that of the latter, I claim the right, as a member of the New York Stock Exchange, as a sufferer to the extent of several millions of dollars by the State of Georgia's bad faith, to protest against the admission of any new securities hereafter to be issued by that State until her repudiated bonds are recognized and provided for.

Yours very truly,

HENRY CLEWS.

Ex-Governor Bullock's Democratic successor, soon after he was elected to that position, appointed as Attorney and Agent for the State of Georgia, one of the State's ablest lawyers, a gentleman distinguished as having been a member of the Confederate Congress, to investigate all the business transactions between Henry Clews & Co. and the State of Georgia. Under his signature as Attorney and Agent for the State, he makes the following statement: "I would say, with a great deal of pleasure, that after a very thorough and complete examination of the books of account, papers and correspondence of Messrs. Clews & Co., so far as they relate to transactions of that house with the State of Georgia during Governor Bullock's administration, I am satisfied that in all the dealings of that firm with the State of Georgia, they have acted with both fairness and liberality, and I am convinced that in all these matters Mr. Clews did nothing that would

not bear the closest scrutiny, and he did nothing, in my opinion, to affect his character for integrity and fair dealing. I make this statement with the more pleasure because I began this examination of accounts of Clews & Co. under impressions very unfavorable to Mr. Clews."

The opinion of ex-Governor Brown, now our able senior United States Senator, was asked by thirty-five members of the Legislature of 1873. In the course of a comprehensive and exhaustive argument, the distinguished Senator says: "The State will be driven to abandon this position (legislative repudiation) and to permit a case to be made by her creditors to test the validity of these bonds in the courts of the country, or she must stand dishonored in the estimation of all good men, and her credit must sink to a ruinous depth."

The late ex-Governor Alexander H. Stephens, ex-Vice-President of the Southern Confederacy, is on record as saying, in reference to this repudiation, that it is "nothing short of public swindling. Not less infamous than obtaining money under false pretences." But the partisan feeling was then so intense that even the lamented ex-Governor Jenkins was hardly accorded a respectful hearing in the Constitutional Convention, of which he was president, when he plead against sweeping repudiation without granting the holders a judicial hearing. Ex-Governor Jenkins said on that memorable occasion: "Now, sir, I take this ground: that for the proper examination and investigation oi these claims, neither the Legislature nor this Convention, nor the people themselves, are a proper tribunal to decide these matters. They ought to be examined and determined judicially. It will now, I presume, be admitted that the five years' time between legislative and constitutional convention repudiation was not allowed to pass unnoticed by the parties having these bond claims against the State. Having waived our sovereignty in the past to allow the State to be sued in every county in the State on claims for small-pox expenses, I submit that our sovereignty ought not to be plead to bar so important an issue as that now under consideration. The State can, in no event, be put to loss. The whole State has been largely benefited by the legislation and by the executive action which was subsequently repudiated. We have been for fifteen years past collecting annual taxes on fifty millions of enhanced value of our taxable property; an increase which is directly traceable to the good effects of the new railroads built under that legislative and executive authority. Shall we—can we honestly receive these benefits and repudiate our liabilities?"

An interview with ex-Governor Rufus B. Bullock, of Georgia, May 29th, 1885:

A reporter called upon ex-Governor Bullock at his rooms, Fifth Avenue Hotel, and obtained the following interview:

Governor Bullock: “Any information in my possession is at your service. I have published from time to time, over my own signature, my views on this subject, and I have no objections to repeating them. I desire to say, however, that I am in no wise a party to the recent proceedings which have been had before the Attorney-General of New York. I was in the city on private business and without any previous knowledge of the proposed hearing. I attended the hearing out of curiosity, expecting to hear an argument by ex-Chief Justice Lochrane, and while there was invited by the Acting Attorney-General to respond to his inquiries. This I did with the result as reported in your valuable paper. During my administration in 1868-’69-’70 and ’71, bonds of the State were issued for State purposes, and the endorsement of the State was placed upon certain railroad bonds under the authority of law.

During the wild excitement that resulted in and followed the overthrow of the Republican government in Georgia, nearly all the acts of Republican administration were repudiated, among them its financial transactions, and up to this day and hour the questions of fact have never been permitted to reach any judicial tribunal.

The people of New York State are fair-minded, law-abiding and honest, and whenever they can be informed of the truth will fearlessly follow it; but with regard to the real merits of this repudiation, no light has reached them because our courts have been closed.

It is asserted by the holders of these repudiated obligations—and in this assertion I concur—that every bond was issued in accordance with law, and that the State is now in the enjoyment of the benefits resulting therefrom. In the exciting times to which I have referred, a majority of the then Legislature decided that the State was not bound by the acts of its predecessors, and therefore these obligations were null and void.

This is, of course, a question of law, and not of legislation. I am sure that now, when partisan passion has subsided, both parties to this controversy would cheerfully acquiesce in any decision reached by our Supreme Court, and that the holders of these defaulted securities would accept whatever is awarded them in a long term bond at a low rate of interest, and on such an adjustment all parties, at home and abroad, could unite in maintaining the high financial credit to which the Empire State of the South would then be entitled.

In December of last year the Atlanta *Constitution*, discussing this subject, used the following language: “The burden of his complaint is, that the bonds have never had a hearing in court. This comes with poor grace from the ex-Governor, who, when the validity of the bonds issued under his administration was being discussed by the legislative committee, was absent from this country, his whereabouts unknown, and his testimony not procurable. The bonds were ‘in court’ then, and as Governor Bullock was not present with his evidence when it was needed, he should not complain that a new hearing is not had for his benefit.” To this I made reply, which the *Constitution* kindly published, and I will thank you to copy as follows: “I desire to say that I was not absent from the country. My whereabouts were known, and my testimony was before the committee in the full and complete report of the financial condition of the State which I made to my successor, sustained by the official records of the Executive and State Departments. I never received a request from that committee to come before them in person, and my presence would not have added to the information in their possession. Every request received by me from my successors, to aid in their investigations, has been promptly complied with. In accordance with such request I met Dr. Bozeman, financial agent, Attorney-General Hammond and Governor Smith, in New York, and also subsequently, Colonel Snead, Attorney for the State, and Colonel Kibbe, chairman of committee. No fact within my knowledge has ever been withheld, nor have I ever neglected any proper opportunity to contradict the statement that any of the bonds issued during my administration and reported to my successor were ‘bogus.’ But, Mr. Editor, the question is, shall a debtor pass on the validity and enforce judgment against his own indebtedness? I submit that a legislative investigating committee is not ‘a court’ in the sense that its findings are conclusive on questions of law. To hold a question so decided to be *res adjudicata*, is to sustain a legislative usurpation of the judicial functions of the government. If your position be well taken, that because the Legislature has decided against the bonds, the case is *res adjudicata*, and the judiciary is precluded—of what avail is our

constitutional guarantee that the executive, legislative, and judicial branches of the government shall be separate and distinct, and that neither shall encroach upon the functions of the other? What protection has a citizen for his property if a legislative decision upon a legal question must be regarded as final *res adjudicata*?

Does not the taking of other people's money to build up our railroads, and refusing those people a hearing in courts of our own creation, before judges of our own election, indicate a want of confidence in the justice of our cause? The Territory and State of Minnesota used other people's money to open up her lands by the construction of railroads, just as Georgia did, pledged the faith of the State for repayment, and then repudiated, just as Georgia did. After twenty years' delay, justice has been done, and her obligations, as ascertained through her court, have been paid. I have faith to believe that the Empire State of the South will eventually keep pace with her sister States in the Union in meting out exact justice through her courts to every man, come from whence he may.

Hon. Wm. A. Post, Deputy Attorney-General of this State, by appointment, visited this city last Friday to take evidence on the Georgia repudiated bond question, the object being to determine the legal status of a new issue of bonds by the State of Georgia in connection with the savings banks of this State. Owing to the repudiation of that State, at present these institutions are debarred from investing in bonds of any repudiating State, and the effort now is being made by the representatives of the State of Georgia to remove that barrier, so that the savings banks can be gutted of their surplus means and filled up with the bonds issued by that State, which are more than likely to share the wicked fate of repudiation, as previous issues to the extent of $8,000,000 have done. The savings banks managers, even in the event of obtaining a decision authorizing them to take Georgia bonds for investment, should be held personally liable for any losses that may fall upon such institutions if they hereafter invest the funds of widows and orphans in a security which, judging from past experience, is almost sure to be wiped out and made worthless. Mr. Clews charged that Mr. Calhoun's appearance in representing the State before the Attorney-General at Albany was a surreptitious proceeding, and was only heard of by mere chance by the holders of the repudiated bonds through a squib in a Georgia paper. He also stated that the bondholders had patiently waited twelve years for their money, and no body of creditors had ever been so lenient as those of the State of Georgia, and justice demanded that these long-suffering and much-defamed creditors should be settled with prior to the financial world according to the State of Georgia a sufficiently high credit to admit of her floating any new issues of bonds. A motion was made to adjourn the meeting until the 20th, which Mr. Post said he would accede to after asking ex-Governor Bullock a few questions in relation to the connection of the firm of Henry Clews & Co. and the State of Georgia during the time he was its Governor. He desired to make these inquiries now, as the ex-Governor was present and might not be at the adjourned meeting. Mr. Clews requested permission to state that his firm—Henry Clews & Co.—had never been agents for the State of Georgia, but merely acted for her as bankers and brokers. The agent of the State during the entire period of Governor Bullock's term of office was the Fourth National Bank of this city. He stated that his firm received no bonds, excepting by purchase or as collateral, and advanced money to the State as it was needed. At one time the State owed for said advances as much as $1,650,000; the money so advanced was stated by Georgia's officials as required to meet the expenses of the government of the State. Ex-Governor Bullock fully ratified Mr. Clews' statement. He admitted that the Fourth National Bank was the State financial agent, and that he had placed a large quantity of bonds with Henry Clews & Co. to market and as collateral for advances. "I will say," said the Governor, "that every dollar secured on the sale or pledge of these bonds was received by the State, and it was expressly agreed that the firm of Henry Clews & Co. should hold all the bonds in their hands as security for the indebtedness due them by the State of Georgia."

GEORGIA'S OUTLAWED BONDS.

Newspapers in Atlanta, Savannah and other parts of Georgia have violently assailed *The Graphic* for its comments on the new issue of Georgia State Bonds as affected by the repudiation of a former issue. These journals are short-sighted, as are the people of Georgia who imagine that they save money by outlawing the obligations of their State issued in the usual manner. We will not impute deliberate dishonesty to them, but they certainly do not place their own motives in a favorable light when they exclude the holders of the repudiated bonds from even the right to present their claims before the civil courts of Georgia. Ex-Governor Bullock has been berated in the same connection, and he cogently replies:

"I have no pecuniary interest in the repudiated bonds or obligations. I have no lot or part in any scheme or combination by or through which public attention is or has been called to this matter. My attitude is that of a private citizen who has as high a regard for the honor and good name of Georgia as any man within her borders. I never obtrude "the bond question" upon the public attention. But when my official action is attacked in that connection I shall never fail to assert and re-assert that the financial statement made by me to my successor in office was the exact truth and that its correctness never has and never will be successfully controverted. In that financial statement were many of the State obligations, which in a time of great public excitement and partisan zeal were 'outlawed' by the action of a political body, and up to this day and hour the holders of such obligations have been denied that cool, dispassionate hearing of their claims which our courts alone can give. My 'attitude' is that Georgia is too great, that she stands too prominent in this country and in the world at large to accept the position of being a semi-annual defaulter and refusing to the creditor a hearing in her own courts. It is idle for me to assert or for you to deny the validity of the defaulted securities. That is a question of law, and no Georgian can defend his State while she slams the door of our courts in the face of our creditors. I assert that it does make a vast difference to Georgia whether her new securities are listed at the Exchange in New York. Our own people or other people can, of course, buy and own them, and I know the interest and principal will surely be paid, but unless the bonds are 'listed' they are not, in mercantile parlance, a 'good delivery,' and will not stand abroad as they should, equal with the best State in the Union."

A State which once repudiates its obligations cannot be trusted not to do the same thing again. What guarantee can any investor have that the bonds which Georgia is now trying to put upon the market may not be outlawed by the next Legislature? The *Graphic* has no interest in the matter beyond that of upholding public morals, the good name of the State and the rights of swindled creditors. The State which repudiates is as foolish as the imbecile who cut off his nose to spite his face.—*N. Y. Graphic*, June 6th, 1885.

The extreme care with which so-called securities or new issues of bonds are scrutinized in this market nowadays is shown in the opposition which has sprung up to the proposed listing on the New York Stock Exchange of $3,500,000 new Georgia State bonds. While money is a glut in the markets and our banks are now carrying a larger idle reserve than ever before known in the history of business, there is no disposition to permit Southern repudiators to come in and secure any part of the funds. The application to the Attorney-General to permit our savings banks to "invest" in the bonds, and the request that they be listed in the Stock Exchange, aroused New York bankers to action, and their opposition has been so far very effective. It has had this good, at least, that it has revived attention in regard to the repudiation of old obligations of Southern States. By its act of repudiation, Georgia mulcted the New York investors to the tune of millions. I know of one banker who now holds more than $2,500,000 of these bonds, on which there is an interest accumulation of twelve years' duration, and at least three leading financial institutions

were carried to the wall by the same means. Now, it is considered very poor grace for the modern Christian statesmen of Georgia to pass around the hat again. Let the State first repudiate its repudiation, pay up old scores, and then it will be quite early enough to ask for further loans. The argument that the credit of the State is really benefited by the repudiation, as she has so much less obligations to meet, is a quaint one, and worthy the source from which it emanates. This is not the sort of "prosperity" that invites further investment of Northern funds.—*Syracuse, N. Y., Sunday Herald.*

Georgia Bonds.

When a Georgia bond is put on the market, our Democratic friends cry out "Great is the Credit of Georgia." They claim that Georgia pays all of her obligations whenever they are due, knowing their claim to be utterly false. Georgia has not only repudiated legal obligations, in the hands of innocent purchasers, but she denies the parties who have paid value for her bonds the right to take the judgment of her own courts on the validity of those bonds. So in the bond business the State of Georgia acts not only the role of the thief and robber, but also of the coward. The man who claims that Georgia meets all her obligations is simply a liar.

Respecting State securities, investors are showing a very proper discrimination against the issues of States tainted with repudiation. The action of the Superintendent of the Banking Department of this State, in forbidding savings institutions from investing in the new issues of the bonds of Georgia, has attracted attention to the danger of investments thus tainted, and is very generally approved by the investing public as a check to future acts of this kind. The disposition shown by certain managers of savings banks to put the funds in their charge into such doubtful securities should be strongly condemned; and it is a question whether it is not necessary, as a protection to such depositors, to make such a use of the deposits of the poorer classes a penal offence.—*Weekly Financial Circular of Henry Clews & Co., June 6th, 1885.*

How the Georgia Bonds were Negotiated.

The following circular explains the manner in which the Georgia bonds were negotiated with my firm:

New York, July 3, 1885.

Hon. Wm. A. Post,

Deputy Attorney-General, State of New York:

The firm of Henry Clews & Co. did not solicit the account of the State of Georgia, but it was opened at the request of Mr. I. C. Plant, the leading private banker of Macon, Ga., and the most influential and affluent banker of the State of Georgia then and at the present time. Mr. Plant was brought to my office by Mr. P. C. Calhoun, President of the Fourth National Bank, which institution was the financial agent of the State of Georgia at the time. Mr. Calhoun introduced Mr. Plant to me, by giving that gentleman a very strong endorsement, and stated that Mr. Plant was in this city for the purpose of raising money for the State of Georgia, which money was required to pay off the members of the Legislature. Mr. Calhoun stated that his bank had loaned to Mr. Plant $400,000 on currency 7 per cent. Georgia bonds, and as money was very stringent at the present time and the calls were very numerous, he felt as though $400,000 was as much as he ought to loan in any one quarter. "But if you have any money, Mr. Clews, that you are willing to loan at the present time, if you will accommodate Mr. Plant, it may result in your doing some good business with the State of Georgia. I would say," said he, "that you cannot advance money in any quarter where it would be safer than to loan on the Georgia State bonds which Mr. Plant will offer you. I know the State of Georgia well. I have ridden on horseback over almost every foot of ground in the State in my early life in my collecting trips. My father was in the saddlery and hardware business, and the larger part of his business was in that State. I know the people of this State; and as an evidence of my opinion of the future of this State and its bonds, I will say that if I had my choice to put my money into these bonds of the State of Georgia, or those of the State of New York, to leave to my family, I would give the bonds of Georgia the preference, for the reason that her debt is so small as compared with the debt of the State of New York at the present time, and the future of the State of Georgia is destined to be one of great prosperity." Mr. Plant then said: "Mr. Clews, Mr. Calhoun has advanced $400,000 towards the amount I need, and I want $250,000 in addition. I know the money market is very tight [as it was at that time, money being worth 7 per cent. per annum and 1 per cent. per day commission]; still, I think, if you will loan this money to the State of Georgia, that it will enable you to make a connection which will prove profitable to you in the end." I said: "Very well, Mr. Plant, I will make the loan to the State of the $250,000 which you require." Mr. Plant then said: "Well, place it to the credit of the State of Georgia, and I will bring in 500,000 of Georgia 7 per cent. currency bonds, the same character of bonds which have been lodged as collateral with the Fourth National Bank. I will go at once to the Fourth National Bank, where they are, and bring them down here;" which he did. The $250,000 was then placed to the credit of the State and a telegram to that effect was sent to the Governor, and it was at once drawn out on the official drafts of the State. This started a correspondence with Governor Bullock, in his official capacity, he being entirely unknown to me before. Other applications were then made direct by the Governor for additional loans, which were made from time to time, until the amount so advanced reached to $1,650,000. After receiving, in addition to the 500,000 bonds referred to, 800,000 more of similar bonds came into our possession from time to time as collateral, being put up at 50 cents on the dollar; and when we afterwards received a large installment of the gold quarterly 7 per cent. bonds, having at that time an excess of collateral in our hands, we voluntarily forwarded to the State 500,000 of the Currency 7s. This was precisely and exactly the way my firm's connection was

commenced with the State of Georgia. Mr. I. C. Plant, who is still a banker of Macon, Ga., I am sure, will testify to the correctness of my statements.

The State of Georgia gold 7 per cent. quarterly interest bonds were placed by the Governor of Georgia in my firm's hands as additional collateral against the advances made to the State, with full instructions to sell same and credit avails. Application was made by request of Governor Bullock to have this issue of bonds placed on the regular list of the New York Stock Exchange, and after a full investigation by that body, they were admitted. A portion of these gold bonds were sold in this country and the balance in Europe. When the Georgia Bond Committee came here 77,000 of these bonds were in Europe in the banker's hands there for sale, and my New York firm held 25,000, all others received having been sold. These 102 bonds were reported to this committee as unsold at that time, but soon thereafter, and before the Act of repudiation was passed by the Georgia Legislature, these 102 bonds were sold and reported as sold, and I think the price was 97½, and the State's account was credited with the avails, and the proper authorities of the State were duly notified thereof. Up to the time of sale of these 102 bonds our standing order to sell continued and was never revoked; because, however, these 102,000 had been reported to the Georgia Bond Committee when in this city as being on hand at that time, they were repudiated, together with the other bonds which we were supposed to still hold. The New York Stock Exchange was called upon by the Treasurer of the State of Georgia to order struck from the list these 102 bonds, and the Exchange was compelled to be governed thereby, as official notice had been received of their repudiation. The following were the numbers of these bonds * * * * You will perceive that the numbers are not consecutive, thus showing that they were not the last of the bonds placed in our hands. The low numbers were received first and the highest numbers last, in the deliveries made to us by Governor Bullock. Under this statement of facts, which I am prepared to prove, I insist that these 102,000 bonds are as binding upon the State of Georgia as any of those which are now recognized. My fellow members of the Stock Exchange who have made investigation fully confirm this opinion. A large number of the coupons of these bonds were paid by the State on these 102,000 bonds, thus showing the State's recognition of them at one time. My firm repeatedly called upon the officials of the State of Georgia to pay the balance due, but we could get no response. After waiting patiently a very long time, we called in eminent counsel for advice in this matter, and under said advice the Governor and Treasurer of the State of Georgia were notified in the regular legal form that if the said indebtedness was not paid on or before a specified date the collateral in our hands, each item being specified, belonging to the State, would be sold at public auction at the Merchants' Exchange Rooms, 111 Broadway, at 12 o'clock, by A. H. Muller & Sons, auctioneers. This notice of said sale, together with list of securities, was inserted in the newspapers; the sale took place, and the 800,000 Currency and other bonds were disposed of to the highest bidders, and the State's account credited with the avails. All these securities should be considered, therefore, as having passed out of my firm's possession and in the hands of other holders for value. The State of Georgia in this matter is certainly amenable to New York laws, and the entire business was conducted in accordance with said law. Governor Bullock's successors did all they could to depreciate the securities issued by their predecessors, and are responsible for the low prices which the State of Georgia bonds afterward sold for, as during Governor Bullock's administration the State 7s were at about par and the first mortgage Brunswick & Albany bonds, guaranteed by the State, sold at 90 and upwards. As an evidence of the high credit which my firm had worked up for the State, we bought out the first million issued of Brunswick & Albany First bonds guaranteed by the State of Georgia, in the Berlin and Frankfort markets at 104, and there were seven millions of bids therefor, and the one million had to be distributed *pro rata* amongst the said bidders. In testimony of the correctness of this statement, I refer you to Mr. Budge, the head active partner of Hallgarten & Co., and Mr. Schiff the head active partner of Kuhn, Loeb & Co., of this city, who were interested with me, and through these two gentlemen the bonds were sold. After this great success, I ask you, or any fair-minded man, was not my firm entitled to continue to advance upon Brunswick & Albany first mortgage bonds endorsed by Georgia? and as the 275 Cartersville & Van Wert bonds, endorsed by the State of Georgia, were offered to my firm shortly after this signal success as collateral, were they not also equally justified in advancing 167,000 upon them? and *in that* way, and in that alone, these securities came into our hands. I most positively assert

that my firm never had any other pecuniary interests but as herewith set forth in these two enterprises. At the time of the repudiation of the State, my firm held

750,000	Brunswick & Albany first mortgage bonds, endorsed by State of Georgia.
275,000	Cartersville & Van Wert first mortgage bonds, endorsed by State of Georgia.
587,000	State of Georgia Gold 7s.
350,000	Brunswick & Albany first mortgage bonds.
400,000	Coupons cashed by us on the State of Georgia securities, but a legal claim against the State.
800,000	State of Georgia Currency 7s.
3,162,000	

Also, a judgment of 525,000 obtained in favor of Henry Clews & Co. in the State courts of Georgia against the Brunswick & Albany Railroad Company, being an amount due my firm over and above all securities in our hands. My firm also obtained in the United States District Court of Georgia a judgment to secure our advances of 167,000 to the Cartersville & Van Wert Company. Neither of these judgments have ever been satisfied.

This leaves out entirely the 102,000 Georgia 7s (quarterlies), as well as many other scattering lots of different issues of the State of Georgia securities. The past due bonds referred to by Mr. Hammond were being hawked about, both here and in London, for the purpose of forcing their payment, and the holders threatened to use them to interfere with the sale of the gold 7s which we were about to bring out in this and foreign markets. I mentioned this matter to Governor Bullock when on a visit here. He then directed me to buy up such of these bonds which were in troublesome hands, and as they were a demand claim against funds then in the State Treasury, all you have to do, he said, is to charge up the amount which you paid for said bonds to the State's account and retain in your hands the bonds as collateral, and when the State is flush enough I'll see that you are paid direct from the Treasury. These past due bonds belonged to us, and were taken up by our money and not the State's; the 98,000 which were cancelled, which Mr. Hammond refers to, were so cancelled by error, which I am fully prepared at any time to prove. The depreciation in Georgia State bonds which Mr. Hammond refers to did not exist during Governor Bullock's administration, but was brought about by his successors in office, as they did all they possibly could to depreciate the bonds of the State authorized and issued by the previous Legislature.

I have the honor to remain,

Your obedient servant,

HENRY CLEWS.

Georgia Securities and New York Savings Banks.

The efforts that are being made to place Georgia securities in the savings banks of New York ought to be resisted for two very good reasons: First, such investment would be contrary to the law of the State; second, even if it were legal it would be imprudent and unsafe.

As to the authority of our savings banks to invest in these securities, it is understood that the opinion of the Attorney-General has been asked. On this point there is not much room for question. Savings banks are prohibited by law from investing in the stocks or bonds of any State that has within ten years defaulted in the payment of any part of the principal or interest of its debt. By a constitutional amendment adopted in 1877, Georgia ratified previous acts of the Legislature repudiating more than eight millions of its obligations. The excuse given for this proceeding was that the State's obligations had not been lawfully contracted, and therefore were not binding. On this ground it is claimed that Georgia securities do not fall within the prohibition put by the law upon the savings banks of New York. There would be some force in this view if Georgia were sustained by any judicial decision holding the bonds invalid. But it took advantage of that principal which protects a State against suit by a citizen. It decided the question by its own arbitrary edict It gave its victimized creditors no voice in the matter. In the absence of judicial support or warrant, its action can be regarded only as a repudiation.

But if there were no legal obstacle in the way, prudence alone should deter any savings institution from investing in the bonds of a State that has so recently broken its faith and repudiated its obligations. The managers of a savings bank hold an exceptional trust. These institutions are the depositories of the earnings of the poor. The first consideration in their management is safety. With that end in view the law imposes the most stringent regulations on their supervision and the disposition of their funds. Their investments are properly restricted to the safest and most unquestionable securities. There is neither authority nor excuse for taking any risk. Let individuals, if they wish, invest in Georgia bonds. That is their own business. But the managers of a savings bank cannot run any such risk without failing in their duty to thousands of poor depositors.—*N. Y. Herald, July 17, 1885.*

THE ATTORNEY-GENERAL'S DECISION.

The decision of the Attorney-General, as was expected, wisely prohibited the savings banks of this State from risking any of the hard earnings of their large number of depositors in such an uncertain security as Georgia bonds.

The Bank Superintendent, Willis S. Paine, referring in his report of March, 1886, to this decision, says:

> "For some time there has been a determined effort to have the bonds issued by the State of Georgia accepted as a lawful investment for savings banks of this State. My predecessor in office declined to recognize their legal right to invest in bonds of the State mentioned. Late in 1885 the State issued a considerable amount of bonds, which were offered to the savings banks on terms advantageous to them, and there was a desire on the part of some of the banks to purchase the bonds. The matter was by me referred to the Attorney-General to determine whether the State had defaulted. Several hearings were had, at which the various interests involved were represented by eminent counsel. The conclusions reached by the Attorney-General were based upon a consideration of the facts and circumstances relating to the issue by the State of Georgia of its guarantee of $1,500,000 of bonds of the Brunswick and Albany railroad, which he holds are in default of interest, the principal not yet being due. He reaches the conclusion that at least in the case of the bonds issued or indorsed in aid of the Brunswick and Albany railroad it has defaulted, and this brings the case within the prohibition of the statute of New York regulating investments by trustees of savings banks. He therefore concludes that the savings banks of New York may not lawfully invest their deposits in the bonds of the State of Georgia."

GEORGIA'S NEW ISSUE.

An attempt was made last summer to have several millions of the new issue of Georgia bonds listed on the Stock Exchange in a second hand style, through the instrumentality of Mr. Fred. Wolf, who was presumably an innocent holder of these bonds. On this occasion I addressed to the Governing Committee the following protest:

June 22, 1886.

To the Governing Committee of the N. Y. Stock Exchange:

DEAR SIRS:—I have just been informed, whether correctly or not, that, not the State of Georgia, but a person by the name of Mr. Fred. Wolf, of this city, has applied to your Committee to list $3,300,000 State of Georgia 4½ per cent. bonds, and sets forth that said bonds are to take up those of the State maturing in February, April and July. I am advised that the bonds which matured, during the two months first named, long since past, have already been taken up by the State, so there remains but those which mature on the 1st of July next outstanding of the class of bonds referred to. At the time I was instrumental in defeating the State of Georgia from removing a very necessary restriction imposed by a New York State law from lodging these same bonds upon the savings banks, the officials of the State of Georgia exulted over the fact that the said defeat in no way injured the State of Georgia, as the bonds had already been disposed of at a satisfactory price to the State, and therefore no longer belonged to them; thus showing that the State of Georgia does not make the application for the admission of these bonds to the Exchange, but clearly shows that they are in possession of the avails of these said bonds to provide for; not only those that had matured but those that are due on the 1st of July next, consequently it takes away the necessity of the State having the application now made favorably acted upon by your Committee. Mr. Wolf, therefore, makes the application in his own behalf, doubtless to enable him to extricate himself from his own speculative venture in these so-called securities, which he was in hopes when he took them of turning over to certain saving banks who, by the Attorney-General's opinion, were precluded from buying these identical bonds, which misfortune, from the statements made by the officials of the State of Georgia, falls not upon them but the party who has bought the bonds. As the original plan of lodging these bonds in the savings banks was a failure and the poor people's money on deposit there was saved from wreck thereby, it is now sought to land them upon others, providing the New York Stock Exchange can be secured to give character to them by listing them as is now attempted. My firm represents two seats on the New York Stock Exchange and has large interest there and I protest against the proposition to list these Georgia bonds for regular dealings at the Exchange, as the State of Georgia is not only in default in payment of her bonds, both principal and interest, and long since past due, but besides has repudiated eight millions of her bonded debt which were issued for value received under the great seal of the commonwealth, properly signed, legally issued and in the hands of innocent parties who have acquired vested rights therein, and, therefore, are the victims of a gigantic robbery by the repudiation of said bonds. It is but fair to assume that a State which undertakes to blot out by a legislative act, without being willing to submit any questions at issue to the judiciary—who alone have the right to decide upon such questions—find *that* to be so simple a method of paying debts will not unlikely be tempted to repeat repudiation often in the future. These bonds now attempted to be foisted on the public cannot, by any possibility, be expected to have any greater permanency of value than those that have already received the shameful fate of being reduced by repudiation to the value of brown paper. I foresee, therefore, that if the N. Y. Stock Exchange lists this new issue of bonds, that by fictitious methods quotations may be obtained, and in all probability the members of the N. Y. Stock Exchange be induced to deal in them and suffer the cruel loss that has already been my fate. The State of Georgia, with interest to date, owes me and my old

firm at least five million dollars; therefore, I have a right, owing to my large interests in the Stock Exchange, to urge that the application to list these new Georgia bonds be denied, for I fear that should it be otherwise, many of the members whose seats are in part security for transactions, may be tempted to deal in these so-called "securities" and suffer great loss if not ruin thereby, for when the time of repudiation takes place the security in their seats at the Exchange may be made valueless through said loss to honest creditors. When the State of Georgia wipes out the disgraceful blot of repudiation which now stains the escutcheon of the commonwealth, she will then be entitled to have the facility which the New York Stock Exchange has the power of granting, to aid her in restoring her credit to rank alongside others. She will then be entitled to credit on a 3 per cent. basis similar to the States of New York, Massachusetts, Maryland and many others, *but not before*.

Respectfully yours,

HENRY CLEWS.

SHALL REPUDIATION BE RECOGNIZED

NEW YORK, June 25, 1886.

To the Governing Committee of the N. Y. Stock Exchange:

DEAR SIR:—I send you an exact copy, published in the *Graphic* newspaper under date of June 15th, 1886, of a bond issued by the State of Georgia, which you will perceive is an out-and-out State bond and represents an issue of 1,800 bonds of $1,000 each. The act of authorization of the State was passed upon by the eminent legal firm of Evarts, Southmayd & Choate, also by the late Judge Emott as being in conformity with law and in every respect a regular and legally issued bond of that State. The innocent holders of these bonds are the following:

The Broadway National Bank	$200,000
The Metropolitan Savings Bank	100,000
The Brooklyn Trust Co	100,000
Russell Sage	200,000
Henry Clews & Co	486,000
The Union Trust Co	100,000
Ezra A. Boody	200,000
Richard Irvin & Co	133,000
The Commercial Warehouse Co. about	200,000

The balance is in small lots scattered in numerous hands. None of these bonds was disposed of for less than 90 cents in money. The Broadway Bank loaned $160,000 upon theirs, taking them as collateral. Some other institutions held them as collateral against advances similar to that of the Broadway Bank. The whole of this issue was repudiated by the State.

The State of Georgia also notified the Exchange that a large number of bonds known as Quarterly Gold Georgia Bonds were also repudiated. The numbers of these bonds were scattered in amongst an issue of two and one-half millions of that class of bonds, all of which were long previously admitted to dealings at the N. Y. Stock Exchange. The N. Y. Stock Exchange having received notice from the State that they had been repudiated, ordered them stricken from the list. These bonds are all in the hands of innocent, *bona fide* holders, who paid in the neighborhood of par for them in all instances and the avails therefor were received by the State.

Those not repudiated of these issues have since and are now daily quoted at the N. Y. Stock Exchange, the price being at the present time nominally about 112.

I have only noted a part of the bonds repudiated by the State of Georgia, so that you may be convinced of the fact that the bonds are out-and-out State bonds and just as good an obligation issued under the great seal of the commonwealth of Georgia and as absolutely binding upon the State as the new bonds which are now attempted to be listed; and should the latter be listed, the chances are that they will share the same fate as those noted.

If a State can issue such obligations, and wipe them out by an act of repudiation with impunity, and the Stock Exchange ignore such shameful conduct, there will then be no safety in buying bonds issued by any State, as it is thereby made to appear that there is no stain left upon her escutcheon, the evidence of which is that the N. Y. Stock Exchange has backed them up in their action. Under the Constitution which gives sovereign rights to States a citizen holding these repudiated obligations cannot sue a State, therefore there is no redress for a great wrong done.

I shall be glad to appear before your Committee and give you all the evidence in the case before you decide upon the application now before you to admit $3,300,000 Georgia 4½ per cent. bonds.

Very respectfully yours,

HENRY CLEWS.

A REMINDER TO SENATOR EVARTS.

In connection with this Georgia bond affair, even at the expense of stringing the subject out to a considerable length, I cannot omit the following communication to Senator Evarts on the subject:

NEW YORK, April 13, 1886.

Hon. William M. Evarts, Washington, D. C.:

DEAR SIR—It is quite generally understood, from information lately received here from Washington, that there is soon to be sprung upon Congress a bill providing for large appropriations for the improvement of rivers and harbors and other so-called public improvements in the South. There is a feeling of strong opposition in financial circles in this city against the justice of the General Government making such appropriations to many of the Southern States at the present time. This opposition is based upon the fact that the State of New York contributes by taxation about one-fifth of all the revenue raised in this country which provides for the expenses incurred in carrying on the Government, so that whatever moneys are spent for the so-called public improvements, at least one-fifth of the amount is extracted from the pockets of the citizens of this State, through taxation; and as many of our citizens have been so villainously victimized by the repudiation of the Southern States, especially by the State of Georgia, it is but just and fair to these victims, therefore, that no appropriations of money for the purposes named should pass Congress for the benefit of any State which is at present under repudiation. It is eminently proper that Congress should take a stand against this, as the very people who have been so robbed are to pay the cost. A large number of them have been ruined, as a penalty for believing in the honor and good faith of Southern States, and while such claims remain unpaid, it certainly does appear harsh that these citizens should be taxed by the General Government and compelled to contribute to funds to be appropriated for the benefit of States now in default of both principal and interest for bonds issued by them under proper legislative authority and bearing the great seal of the commonwealth. The money paid for these bonds by confiding people has gone into public improvements in those States. If the Government desires to make appropriations, they should be made to the holders of these bonds, and the share to the various States be in their own bonds in place of money. The States thereby would take the place of the present holders. When repudiated bonds are all extinguished it will be time for the Government to begin the appropriation of money direct. No greater public improvement for the South, as well as for the credit of the entire country, would equal the removal from the various States of the blot of repudiation which now stains their escutcheons, and reflects most injuriously upon the credit of the General Government itself.

Yours very respectfully,

HENRY CLEWS.

ANOTHER STRONG PROTEST.

September 2, 1886.

James D. Smith, President of the Stock Exchange:

DEAR SIR—I beg to hand you herewith a memorial in relation to the new issue of Georgia bonds, signed by a number of the largest and most important firms and corporations in this city, most of whom are connected by membership with the Stock Exchange, and all of whom, like myself, are victims of the State of Georgia's repudiation.

I understand that the subject of admitting this new issue of these bonds is to come up for consideration at the next regular meeting of your committee. Will you do me the favor of presenting this petition at said meeting? Hoping this matter will receive your favorable consideration and influence, I have the honor to remain,

Yours very respectfully,

HENRY CLEWS.

To the Governing Committee of the New York Stock Exchange:

We, the undersigned, holders of repudiated bonds of the State of Georgia, have learned that an application has been made for listing upon your Exchange new issues of bonds of that State.

We respectfully urge upon you that so long as the name of Georgia remains dishonored by repudiation, you should stamp upon such application your absolute disapproval, and thus maintain the well known and uncompromising hostility which the New York Stock Exchange has always shown against bad faith and dishonest practice.

August 24, 1886.

RICHARD IRVIN & CO.,
MORTON, BLISS & CO.,
JAS. B. JOHNSTON,
S. W. MILBANK,
HENRY CLEWS & CO.,
HALLGARTEN & CO.,
FULTON BANK OF BROOKLYN, By J. A. NEXSEN, Cashier,
WALTER S. JOHNSTON, Receiver Maine National Bank,
MORRIS K. JESUP,
JAMES R. JESUP,
DREXEL, MORGAN & CO.,
FOSTER & THOMSON,
NATIONAL BROADWAY BANK, By F. A. PALMER, Prest.,
L. VON HOFFMAN & CO.,
RUSSELL SAGE,
C. F. TIMPSON & CO.,
HERMAN R. LE ROY,
SAMUEL RAYNOR & CO.,
THE N. Y. WAREHOUSE & SECURITY CO., By S. C. KNAPP, Secretary,
COMMERCIAL WAREHOUSE CO., J. F. NAVARRO, Prest.

The petition of these gentlemen was granted, and true to its honorable record, the Governing Committee of the Stock Exchange refused to have anything to do with the bonds of the repudiating State of Georgia.

CHAPTER XXVIII.

ANDREW JOHNSON'S VAGARIES.

"Swinging Around the Circle."—How Mr. Johnson Came to Visit New York on His Remarkable Tour.—The Grand Reception at Delmonico's.—The President Loses his Temper at Albany and Becomes an Object of Public Ridicule.—His Proclamation of "My Policy" Ironically Received.—Returns to Washington Disgraced.—The Massacre of New Orleans.—The Impeachment of the President.

As I have attributed the ill luck of myself and others in certain business ventures in Southern securities to President Andrew Johnson, it will be necessary to describe some of the vagaries of that gentleman which had such a ruinous effect upon the investments of Northern men in the South.

In common with several other Wall Street men, I had an idea that the President might be favorably affected by the social influence of the North, if that were brought to bear upon him in the right way. So when we heard that he had been invited to attend the laying of the corner-stone in the erection of a monument to the memory of Stephen A. Douglas, at Chicago, I got up a paper signed by several Wall Street men and other prominent citizens, urging the President to accept said invitation and also invited him to stop at New York, on his way to the West.

The invitation was graciously accepted, and preparations were made at once to give him a suitable reception. It was hoped that this demonstration of our good will would have the effect of smoothing down the asperities of the President, and that it might remove any harsh feelings that he entertained towards the members of Congress who represented the Eastern and Western sections, and hence prove a means of inducing him to advise the people of the South, over whom he had considerable influence, to lay aside their sentiments of hostility and attend to their business interests in a manner that should redound to the mutual benefit of the two great sections of the country. This was in 1866.

The President left Washington about the end of August, accompanied by General Grant, Admiral Farragut, Secretary Wells, Postmaster Randall, and a few others of less note.

When the party arrived in New York it was joined by Secretary of State Seward.

The preparations for the President's reception were on a magnificent scale for that time, and the people turned out *en masse* eagerly to do honor to the Executive of the nation. There was a grand procession which conducted him to the City Hall, where he was received by the officials of the City and State, and the procession afterwards escorted him to Delmonico's, at Fourteenth Street and Fifth avenue, where a dinner was served in the most sumptuous style, with every mark of honor and respect befitting the distinguished guest and his numerous friends.

There was an address of welcome pertinent to the occasion, and the President responded in a very happy style. This was said to have been one of his best efforts in oratory, in which he was, at times, exceedingly forcible and persuasive.

He was always pithy and powerful, and there has perhaps never been a President who produced stronger, more brilliant, and more argumentative state papers than Andrew Johnson.

The audience at Delmonico's was thoroughly delighted with him, the dinner came off in a way that left nothing to be desired, and everything seemed to indicate that the presidential visit would be a potent influence in creating a new era of harmony between the two hostile divisions of the country.

Everything was lovely until the presidential party arrived at Albany, when it became manifest that the President had set out with the full intention of giving the journey the aspect of a political canvass, and of taking occasion to abuse his enemies in the strongest terms, and to vindicate his policy of reconstruction in opposition to that of Congress.

The crowd which met him on his arrival at Albany was immense, and on the whole was disposed to accord the President a kind and courteous welcome.

The President was called upon to make a speech, in which he made violent attacks upon his supposed enemies, or those who opposed his policy, thereby sinking beneath the dignity which he was expected to maintain as President of the United States, to the level of a mere political demagogue. His utterances in that motley assembly, of course, were soon met by sharp opposition. There were many, however, who did not treat the fiery demonstration of the President seriously, and several of the crowd indulged in the pastime of firing off a few good-natured jokes at the tailor of Tennessee, who, by a mysterious fate, had been raised to such a dizzy eminence. These jests were taken seriously by the President, whose hot Southern blood became so aroused that he forgot the dignity of his office and station and condescended to bandy words, and exchange terms of ribaldry with people in the crowd. He then became a butt for savage ridicule. A small black flag was exhibited which seemed to have the same effect upon him as a red rag has upon a Texan steer.

The President became furious, and losing entire control of himself, pointed towards a man in the crowd saying, "Who is that man who dares to hoist that black flag. Let him come up here and I will tell him what I think of him."

This descent of personal dignity on the part of the President was received by the audience with a feeling of ineffable disgust. He had stooped beneath the level of the average electioneering stump speaker. He was greeted with jeers and hooting, and the meeting was turned into a roaring farce, in which the President played harlequin, to the great delight of the ignorant element in the crowd, and the terrible mortification of those who had conducted him thither.

His friends were greatly incensed at his conduct. My business friends and I were heartily sorry that we had anything to do with this unruly Executive, who had evidently lost his head through the sudden acquisition of power.

The President's journey was continued to Chicago by way of Cleveland, where he made similar outbursts to those displayed at Albany. By the time he had reached Chicago he had become a public object of ridicule. He spoke so vociferously about "my policy" that the very boys in the streets began to utter these words ironically and jeeringly.

The tour of the President was designated "Swinging around the circle," and when he returned to Washington he had become an object of national contempt, and the majority of the people had entirely lost confidence in him.

One thing about this time that intensified the popular feeling of hostility against him was the attitude he assumed concerning the massacre of New Orleans, which occurred about a month before he started on his political tour.

The Convention which had formed the free constitution of the State of Louisiana in 1864 had been ordered to reassemble by its President. The Confederate sympathizers, who had been greatly encouraged by the acts of the President to keep alive their old feelings of hostility to the North, resolved that the Republican Convention should not be permitted to meet. The ground they urged for this proposed action was that the Convention proposed to recommend the imposition of Negro suffrage upon the State. There was a riot and a terrible massacre, in which over a hundred lives were lost, and several hundred persons were wounded. The municipal authorities of New Orleans gave aid and comfort to the rioters.

The Congressional Committee that investigated the circumstances connected with the riot reported that the President knew that riot and bloodshed were apprehended. He knew what military orders were in force, and yet without the confirmation of the Secretary of War, or the General of the Army, upon whose responsibility these military orders had been issued, he gave orders by telegraph, which, if enforced, as they would be, would have compelled our soldiers to aid the rebels against the men in New

Orleans who had remained loyal during the war, and sought to aid and support, by official sanction, the persons who designed to suppress, by arrest and criminal process under color of the law, the meeting of the Convention; and all this although the Convention was called with the sanction of the Governor and by one of the judges of the Supreme Court of Louisiana claiming to act as President of the Convention. The effect of the action of the President was to encourage the heart, to strengthen the hand, and to hold up the arms of those who intended to prevent the Convention from assembling.

The President's opposition to the Reconstruction Bill probably rendered him more unpopular than any other executive act during his administration. The bill was passed by large majorities in both Houses of Congress.

The President's repudiation scheme was another very unpopular recommendation, for which he was very strongly reproved by the action of Congress. He stated in his message of December, 1868: "That the holders of our securities have already received upon their bonds a larger amount than their original investments, measured by the gold standard. Upon this statement of facts, it would seem but just and equitable that the six per cent. interest now paid by the Government should be applied to the reduction of the principal, in semi-annual instalments, which in sixteen years and eight months would liquidate the entire national debt."

This clause of the President's message was condemned by an almost unanimous vote of both Houses.

The great event in President Johnson's career, however, was his impeachment trial, which lasted from March 5 until May 26, 1868. He was arraigned at the bar of the Senate, which was presided over by the Chief Justice of the United States, the Hon. Salmon P. Chase.

The counsel of the President were Attorney-General Henry Stanberry, who resigned his position to defend the President, ex-Judge Benjamin R. Curtis, William S. Groesbeck, who acted as substitute for Judge "Jerry" Black, and Hon. Wm. M. Evarts. General Benjamin F. Butler made the opening argument against the President, accusing him of high crimes and misdemeanors. Hon. Wm. Lawrence, of Ohio, posted him on the law of impeachment. The chief charge in the articles of impeachment was the removal of Mr. Stanton from the office of Secretary of War, in alleged violation of the Tenure-of-office Act. According to this act Stanton had a right to hold office during the term of the President by whom he was appointed, and a month longer. He was appointed by President Lincoln.

The question to be decided then was whether Johnson was serving out Lincoln's unexpired term, or whether he was President *de facto*. Judge Curtis took the latter ground, and argued, therefore, that Stanton's term had expired.

At the conclusion of the trial, the Senate was addressed against the President by General John A. Logan and Mr. Boutwell. Thaddeus Stevens attempted to read a speech, but was too weak. He handed his manuscript to General Butler, who read it to the Senate, but it fell comparatively flat. The Hon. Thomas Williams, of Pennsylvania, read a speech in favor of impeachment, which was well received. The case on behalf of the Senate was summed up by Hon. John A. Bingham, who arrayed all the charges against the President in a very strong and unfavorable light. His concluding sentences were, "I ask you, Senators, how long men would deliberate upon the question whether a private citizen arraigned at the bar of one of your private tribunals of justice, for criminal violation of law, should be permitted to interpose a plea in justification of his criminal act that his only purpose was to interpret the Constitution and laws for himself; that he violated the law in the exercise of his prerogative to test it hereafter, at such day as might suit his own convenience, in the courts of justice? Surely, Senators, it is as competent for the private citizen to interpose such justification in answer to his crime as it is for the President of the United States to interpose it, and for the simple reason that the Constitution is no respecter of persons, and vests neither in the President nor in the private citizen judicial power. For the Senate to sustain any such plea would, in my judgment, be a gross violation of the already violated constitution and laws of a free people."

The speech of "Our own Evarts" was the *chef d'œuvre* of his life, and probably did much to help the President's narrow escape. As it was, he was only saved from impeachment by one vote, namely, that of Mr. Ross, of Kansas.

CHAPTER XXIX.

THE DIX CONVENTION.

How the War Democrat, General Dix, was Elected Governor by the Republican Party.—The Candidates of Senator Conkling Rejected.—How Dix was Sprung on the Convention, to the Consternation of the Caucus.—Judge Robertson's Disappointment.—Exciting Scenes in the Convention.—General Dix declines the Nomination, but Reconsiders and Accepts on the Advice of his Wife and General Grant.—How Dix's Election Ensured Grant's Second Term as President.

Among the political events of the last quarter of a century in which I took an active part, in common with some other Wall Street men, I think the Utica Convention, at which General Dix was nominated for Governor of this State, is entitled to special notice, particularly on account of its effect upon national politics.

I was a delegate to that Convention. Just as I was stepping from the train to the platform at Utica I was met by a gentleman who introduced himself to me as the Private Secretary of Senator Conkling. He said he came to convey an invitation to me from the Senator to be his guest during my stay in that city. He escorted me to the carriage in waiting, and I was taken to the palatial mansion of the Senator. I was the only resident guest during my stay—an honor which I highly appreciated.

Several gentlemen were invited that evening to dinner, amongst whom were Hon. Chester A. Arthur, A. B. Cornell, Wm. Orton and General Sharpe.

At the conclusion of a sumptuous repast the subject matter relating to the Convention was introduced by Senator Conkling. The Senator turned to me and said: "Mr. Clews, why would not George Opdyke be the best man for Governor?" Mr. Opdyke and Senator Conkling had always been on excellent terms, and a few weeks previously this aspirant for Gubernatorial honors had been a guest at the house of the Senator, and General Grant had been there at the same time. It was apparent, therefore, that Mr. Opdyke had gained special recognition from the Senator as his candidate for Governor, and that the choice had been sanctioned by General Grant. So the visit of these two distinguished guests seemed to indicate that the matter had been virtually, harmoniously

and finally arranged, simply awaiting the official approval of the Convention. Hence, the point of the Senator's inquiry directed to myself.

I replied: "Senator, I have a very high regard for Mr. Opdyke, as a man of great ability, as well as a brother banker, but as we have, all of us, a greater interest in what is to be done at this Convention, with a view of re-electing General Grant, we must, in my judgment, sacrifice all other interests thereto. Looking at the matter from that point of view, I am bound to say, therefore, that George Opdyke is not our best man. As you remember, he was Mayor of the city of New York at the time of the great riots of 1863, which was the most critical period of the country's existence, and it was generally understood that in his official capacity he showed the white feather. While I admit that the excitement at the time was calculated to intimidate some of the strongest hearts, still, Mr. Opdyke, as Chief Magistrate of the city, was supposed to be equal to the emergency, and to meet it with firmness, irrespective of personal danger. He was expected to be equal to the task of ordinary self sacrifice in such a position, and he did not come up to popular expectation.

"And you will recollect, Senator," I continued, "that your own brother-in-law, that able, worthy and popular man, Hon. Horatio Seymour, was so far carried away by his predilections then, that he addressed the crowd of peace-breakers as 'friends.' I confess that when a man like him was so pronounced on that side it was a difficult matter for a Mayor to have backbone enough to withstand the pressure. But public opinion is not in the habit of making such fine distinctions to excuse want of courage.

"If this is not an ample reason," I said, "I can give you another, which should be sufficient to determine that Mr. Opdyke is not our best man at this time. He is young enough, however, and may be available at a future period, when the asperities associated with these troublous times have been fully smoothed down. During the war Mr. Opdyke had the misfortune to be a special partner in a clothing manufacturing firm which had received a contract from the Government to make clothing for the poor fellows who were fighting our battles for the salvation of the country. The clothing made by this firm was rejected on account of the inferiority of the material, and this is said to have been the first application of the term 'shoddy' to army clothing in this country."

Mr. Conkling seemed to be amazed at my statement, and admitted that his protegé would not do. He felt considerably embarrassed in regard to his position with reference to Mr. Opdyke. He said, "Mr. Opdyke is here and expects the nomination. Some one ought to tell him to withdraw."

Thereupon Mr. A. B. Cornell volunteered to undertake this delicate duty. He promptly performed it, and afterwards reported that the work had been accomplished. He said that Mr. Opdyke at once consented to comply with the modest request, but was so mad about it that he had left the city by the first train for home, being unwilling to remain for the convention.

Prior to his departure, however, he had advised the Hon. W. H. Robertson, who was the next prominent candidate, of his withdrawal, and of the support of his constituency so far as his name could control it.

Mr. Robertson, who had been prominent in the preliminary canvass, was gratified at this turn of affairs, and encouraged by his new accession of strength. He was quick to embrace the opportunity now left open, as there were no other candidates whom he feared. So the whole of that night he worked arduously and faithfully for the object in view.

When I left the Conkling mansion next morning, after breakfast, I mingled freely with the delegates, and found, from the efforts made the previous night, that the nomination of Judge Robertson was a foregone conclusion, and the candidate himself was sure of it. The Robertson boom had become suddenly popular. In fact, it was in the air.

I was invited to General Arthur's parlors, where the caucus had its headquarters. It was customary with General Arthur, in those days, to take parlors for that purpose at State Conventions. I found the rooms filled with distinguished members of the party, and it was assumed by all that Robertson was the candidate for Governor; it was also proposed that we should march in a body to his hotel, to congratulate him, and to assure him of the fact that we were all for him. I declined to be of the number on that mission, to the great chagrin of some of my friends. When asked for my reasons, I said that I had no feeling of personal hostility towards Mr. Robertson, but as the New York *Times* had not been pleased with his conduct while State Senator, and had severely criticized him thereafter, I felt satisfied that under no circumstances could we rely upon the *Times* to support our ticket if he were at the head of it; and as that was the only paper in New York that we had to fight our battles then, it was all important that we should nominate a ticket that would not be antagonistic to it, in order that we might have its endorsement and full co-operation.

The rest of the gentlemen went to pay their respects to Judge Robertson, as pre-arranged, and during their absence I went to the telegraph office and sent the following message to General John A. Dix, to his residence at 3 West Twenty-first street, New York:

> You are favored by many of the delegates for Governor. If nominated will you accept? For the sake of the country, answer in the affirmative.
>
> "Henry Clews."

To this I received the following:

> "I have telegraphed your dispatch to West Hampton, where my father now is.
>
> "Aug. 21 1872.
>
> "John W. Dix."

A short time afterwards the Convention met, and the name of Robertson was presented. The management had been so ably conducted since the departure of Mr. Opdyke, that there seemed to be an overwhelming hurrah in favor of Robertson, though it was evident that many of the delegates did not know why they cheered, except by force of imitation. The Convention at first, as has been the case on many similar occasions—except that there never was any occasion precisely similar to this one—did not seem to know its own mind, and was apparently well in hand by the management. Several most laudatory speeches were made in favor of Robertson, which placed him on the very pinnacle of popularity with the Convention, as manifested by the cheering and wild hurrahs with which the speeches were received. The management was thoroughly convinced that the popular tide had begun to flow in favor of their candidate, beyond the possibility of ebbing until it carried him to port, and there was probably no man in that enthusiastic audience more fully convinced of the fact than Robertson himself.

Several other nominations were made, but that of Robertson overshadowed them all.

When the gavel was about to descend on the choice of the people, as expressed through their intelligent representatives by every sign of enthusiastic approval, the audience being almost exhausted with this high pressure of excitement, and when it was just prepared to relapse into a more thoughtful and deliberate mood, I sprung General Dix on the Convention. The mere mention of the name of that veteran seemed to inspire the vast assemblage with new life. The announcement acted like magic, and appeared to throw all the previous work of the Convention into utter oblivion.

After Mr. Bruce and the Hon. E. Delafield Smith had spoken, I said: "On behalf of the bankers and business men of New York, regardless of party, the nomination of John A. Dix would do more for the Republican party in the national contest than any other that could be named. No other man would receive equal confidence of the great monied interests of the metropolis."

The scene that followed the remarks of these gentlemen and myself is indescribable. The whole audience arose to their feet and cheered vehemently. If the house had been struck with lightning the caucus managers could not have been more surprised, and Judge Robertson must have begun to doubt his own identity.

Concerning the scene in the Convention at this juncture, the New York *Herald* the next morning had the following:

> "The enthusiasm excited by the representatives of Henry Clews carried the Convention, and it only wanted to put the question to the delegates to result in a triumph for the Dix interest. There was great confusion in the hall at this moment. Delegates attempted to make themselves heard from all parts of the hall. There were heard the first notes of the coming avalanche of victory for the Dix ticket. The stentorian voice of a delegate from St. Lawrence, mighty almost as the cataract of Niagara, was heard above the din, proclaiming that the St. Lawrence delegation endorsed the nomination of Dix. Further

enthusiasm was thus excited. Then followed Kings, Jefferson, Cayuga and others, lost in the cheering that was incessantly kept up. The whole of the delegation seemed under one impulse to fall into line under the flag raised by Dix as the standard-bearer of the party. Then came a demand that no ballot should be taken, formally or informally, but that the nomination of General Dix be made by acclamation. The Hon. William A. Wheeler, the chairman, said such a motion was not in order, as there were other candidates before the Convention. This difficulty, like every other, was soon swept away in the tornado of excitement consequent upon the sudden and unexpected course of affairs, so lately garbled and mixed up, had taken; and the clear course that the name of one man, held back to the lucky moment, had arrived, to give it a talismanic power, opened to the previous bewildered senses of the delegates when the Bald-Eagle of Westchester, the proposer of Judge Robertson, arose and announced the withdrawal of his nominee's name. A thunder of applause followed this announcement, which was echoed and re-echoed, when the several other proposers withdrew in quick succession the names of their candidates. Then came again the call to put the name of General Dix by acclamation to the Convention. The vote was put and was unanimously carried, with the greatest excitement ever before witnessed at a Convention."

The New York *Times* said editorially:

"The Convention of this State has placed at the head of its ticket two of the strongest names it could possibly have selected. In General Dix it has nominated a Democrat who is free from all the reproaches which the last twelve years have brought upon the Democratic party—a man whose character is without a stain, whose strenuous efforts to assist the Union during the rebellion ought never to be forgotten, who has been one of our most indefatigable assistants in the work of reform, and whose integrity and abilities alike entitle him to the respect of the public. No one can doubt that if we have General Dix as Governor of this State the affairs of the community will be managed with discretion, dignity and a high sense of honor. We purposely refrained from recommending candidates to the Convention, but now that all is over, we need not disguise our opinion that General Dix was the very best man that could have been chosen. Honest Democrats will gladly support him, Republicans have every reason to arrange themselves by his side, for he has identified himself with every great work in which they have been interested. He has always done his duty, no matter what position he has occupied, and we shall be proud to assist in electing him as Governor of this State. If we could not trust such a man as General Dix, it would be very hard to carry on the work of popular government at all."

At the close of the proceedings I sent the following despatch to General Dix:

"I took the responsibility of putting your name forward as a candidate for Governor, and now rejoice in apprising you of your nomination by the Convention by acclamation.

"HENRY CLEWS."

On my return to New York, to my utter dismay, I found the following telegram awaiting me:

"WEST HAMPTON, Aug. 22, 1872.

"HENRY CLEWS:

"I have been compelled to decline.

"JOHN A. DIX."

That afternoon I went down to Long Branch to see General Grant, and spent the evening with him. I showed him the despatch from General Dix, declining the nomination, and expressed the opinion that it was all important that he should be

prevailed upon to reconsider his first resolve, and permit his name to head our ticket. "You know, General," I said, "Dix is a war Democrat. He will act as a bridge to bring over to our ranks all the war Democrats. It was chiefly for that reason that I sprung him on the Convention."

General Grant realized the position at once, and fully agreed with me.

I said: "General, you must write a letter to General Dix, urging him to accept the nomination." He wrote to General Dix in a day or two. The veteran was greatly moved by a letter from a renowned brother in arms, but still had some difficulty in making up his mind, lest he might lay himself open to the charge of inconsistency. And here comes in the predominating influence of lovely woman, even cruelly deprived as she is of the ballot. General Dix held his final answer in abeyance until he should consult his wife.

General Grant to General Dix.

Following is the letter which General Grant wrote after my interview with him:

"Long Branch, N. J., Aug. 24, 1872.

"My Dear General:

"I congratulate you upon the unanimity and enthusiasm of the Utica Convention on the occasion of your nomination for the honorable and responsible position of Governor of the great State of New York. Especially do I congratulate the citizens of that State, almost irrespective of party, upon your nomination. I believe you will receive the active support of the great majority of the best people of the State, and the secret sympathy of thousands who may be so bound up by party ties and pledges as to force them to support your opponent.

"But to doubt your election would be to impugn the intelligence and patriotism of a people by whose enlightened discrimination such good men as Tompkins, Clinton, Marcy, Fish, King and Morgan have been lifted to the Chief Magistracy of the Empire State. With your election reforms in the State will naturally follow, which all acknowledge have been much needed for years.

"No one acquainted with the political history of New York for the past eight years will claim that all the abuses of legislation are due to Democratic rule, but members, or at least pretended members, of both political parties share the responsibility of them.

"When I read the proceedings of the Convention of the 21st inst., and of the unanimity of feeling in favor of you and your associates on the State ticket, I felt that victory had been already achieved and reform inaugurated in the State of New York.

"Again, I congratulate you, not upon the prospect of being Governor, but upon having it within your reach to render such services to your State.

"It is a happy day when conventions seek candidates, not candidates nominations. This dream has been realized in the action of the Convention of the 21st inst. at Utica, New York.

"I have the honor to be, General, your most obedient servant,

U. S. GRANT."

"Gen. John A. Dix, N. Y."

General Dix's Reply.

"Leafield, West Hampton, N. Y.,

August 28, 1872.

"My Dear General:

"I am very thankful to you for your kind letter of congratulation on my nomination for the office of Governor of this State. You are aware, no doubt, that I declined it before the Convention was held. I am deeply sensible of the honor conferred on me, especially by the manner in which it was tendered; but my objections to the acceptance of the nomination are so strong, that I would not think of it a moment, were it not for the deep concern I feel in the result of the election, and the great public interests at stake.

"I expect Mrs. Dix to arrive from Europe on the 2nd or 3rd proximo, and as soon as I am able to confer with her, I shall reply to the letter of the President of the Convention, advising me of my nomination.

"I am, dear General, very respectfully and sincerely yours,

JOHN A. DIX."

"His Excellency, U. S. Grant."

It is evident from this correspondence that General Grant's letter, which I take the credit of having inspired, reinforced by the latent, loving power and good judgment of Mrs. Dix, assisted in the wise decision of the war Democrat to accept the Republican office which was judiciously thrust upon him.

The election of Dix made the second calling and election of Grant sure. The Republican party took General Dix into its fold, and the effect was, as I had anticipated, to bring thousands of others similarly situated, to vote, at the Presidential election, for General Grant.

The Dix nomination was the worst black eye that Mr. Greeley received during that campaign, and the Sage of Chappaqua acknowledged on his death bed that that event, together with the Grant mass meetings at the Cooper Institute, described in another chapter, sealed his political doom.

CHAPTER XXX.

CONSEQUENCES OF THE UTICA (DIX'S) CONVENTION.

A Chapter of Secret History.—Conkling gets the Credit for Dix's Nomination and his "Silence Gives Consent" to the Honor.—Robertson Regards him as a Marplot.—The Senator Innocently Condemned.—The Misunderstanding which Defeated Grant for the Third Term, and Elected Garfield.—How the Noble "306" were Discomfited.-"Anything to Beat Grant."—The Stalwarts and the Half Breeds.-"Me Too."—The Excitement which Aroused Guiteau's Murderous Spirit to Kill Garfield.

The political events succeeding the Utica Convention and the nomination of General Dix for Governor contain some inside history of more than ordinary importance.

Had I not sprung General Dix on that Convention at the peculiar moment, as described in the last chapter, Judge Robertson would have carried the day with flying colors. It was a sudden and crushing blow to the prospects of himself and his political friends, and it dissipated some of the brightest hopes and brilliant schemes that had ever originated in the fertile brain of Senator Conkling. As a consequence of the unique turn that affairs took on that day, the Senator was placed in a false position in relation to some of his best friends. Several of the latter were put in an attitude whereby they misinterpreted the actions of Senator Conkling at that Convention, and unjustly accused him of betraying friends that he had promised to support. This was the result of a misconception on their part, that the Senator was the prime mover of the *coup d'etat* that surprised the Convention in the nomination of General Dix.

The credit was awarded to Conkling, without any hesitation or inquiry, and he was either too proud, or too indifferent to public opinion to explain. If he had explained his position candidly the chances are that his explanation would have been taken in a Pickwickian or political sense. In fact, he was in a position where he could hardly escape the responsibility of Dix's nomination, and everybody was ready to believe that the movement in favor of Dix was too good a thing to be engineered by a man of less calibre.

It would have been useless, therefore, for anybody else to explain, as the person attempting to do so would only have been laughed to scorn.

Judge Robertson, himself the greatest sufferer by the curious turn affairs had taken, was the first to believe that the nomination of Dix was one of Conkling's masterstrokes of political policy. He never thought of looking to any other source for its emanation. He believed in his soul it was the work of Conkling, and he thinks so to this day.

I happened to have been better informed, however; but my explanation would have hardly passed muster at that time, and I would have been charged with egotism if I had attempted to explain. I think an explanation is now in order, however, and may point a moral as well as help to adorn a tale.

History is said to be philosophy teaching by example, and one great historian has said that no one event in itself is any more important than another, except from what it teaches posterity by its example. So, for the benefit of posterity, I now state the facts on this historical principle.

I am willing to make affidavit on the revised edition of the good book that prior to the Utica Convention the name of General Dix was not even lisped by Senator Conkling within my hearing, nor was Dix ever thought of even remotely by the Senator as a possible candidate.

I am almost certain that the Senator had taken no action that could possibly conflict with the interests of Judge Robertson prior to the mention of the name of Dix at the Convention. In fact, with the exceptions previously stated, I am quite certain that the name of Dix was a genuine surprise to the entire Convention, managers and all.

Judge Robertson thought differently, however. He believed that Conkling was the cause of his defeat, and to this misapprehension is due the enmity that sprang up between these two men, and worked with various results to the defeat of the political aims of both ever since.

As I was Senator Conkling's guest, this seemed to create a conviction in the mind of Judge Robertson, without any inquiry into the matter, that I had acted at the instigation of Conkling in bringing Dix to the front; whereas the conception of Dix as the best candidate originated solely with myself, nor did I ever suggest the idea to Conkling until I addressed the Convention, in favor of General Dix.

Believing as he did, that the Senator had played the marplot to such perfection at Utica, Robertson was naturally on the watch for the first opportunity that would enable him to get even with the friend whom he suspected of having so basely betrayed him, and with having blocked his way to political preferment.

This opportunity came at the Chicago Convention, when the Utica statesman was managing matters very successfully to nominate General Grant for a third term.

It is curious that the very circumstance which was most conducive to Grant's success for the second term was the remote cause of his defeat for the third. Senator Conkling had no idea of the deep-seated enmity that lodged in the breast of Robertson. He had done nothing, knowingly, to merit it, and had been calculating on the co-operation of Robertson, as usual. He was not aware of the smouldering fire of vengeance that lay latent in the bosom of his friend. He supposed that Robertson and his co-mates in politics were with him as in days of yore in the support of General Grant. He imagined that he had gone to Chicago with a full hand, but instead of that he was short of some of his best cards, and his enemies had them stocked in a way that finally brought him to grief.

Conkling only discovered his dilemma after the Convention met, when he found to his dismay that Robertson had bolted the Grant ticket.

Robertson had first made an alliance with the Blaine party, but finding an insufficiency of power among that party to carry his point against the solid phalanx of the Grant movement, he joined forces with John Sherman's supporters, who were under the management of James A. Garfield.

The able strategist from Utica, at the head of his 306 chosen followers, so disconcerted the Sherman contingent that it also failed to carry the necessary number of guns.

As day after day passed without any change, it seemed as if the Conkling forces had adopted the motto of Napoleon's old guard, "The Guard dies, but does not surrender."

At length Robertson and his lieutenants collected the shattered ranks of Blaine and Sherman, and with Garfield at their head, like Ney attacking the English centre at Waterloo, hurled them with desperation on the solid square of Conkling, which still remained unbroken.

The united forces, however, with the war cry, "Anything to beat Grant!" carried the day, Garfield was nominated and Conkling retired in good order, but greatly discomfited.

Robertson had taken up this cry at the Convention in the same spirit that was displayed by another man about whom a good story was told during that campaign. He had got that shibboleth on the brain, "Anything to beat Grant!" As the story goes, a prediction had been made by some religious enthusiast that the world was coming to an end early in November of that year. A preacher was reminding his congregation, one Sunday, of the prediction, and the possibility of its fulfilment—at least that it was well to be prepared for such an event. At the conclusion of his exhortation, a man in the congregation arose to his feet, and in a solemnly pathetic voice said, "Thank God." At the end of the service the minister's curiosity was excited to converse with the man who had so fervently thanked heaven for what most people regarded as a universal calamity.

He saw the man, and asked why he had made such a remarkable ejaculation at the prospect of such a terrible consummation. “Anything to beat Grant,” was the reckless and self-sacrificing response.

It was in this spirit that the Robertson party made the fight at Chicago, and in this spirit that they triumphed. It was anything to beat Senator Conkling, however, so far as Judge Robertson was concerned, who on other grounds would probably have preferred Grant. Thus he avenged upon the wrong man his defeat at the Utica Convention, and I was permitted to escape scathless, though innocently responsible for blasting his Gubernatorial aspirations.

This was not the end of Judge Robertson’s enmity to Senator Conkling, however. When the new Government came into power, Garfield, in making up his cabinet, selected Blaine as a member of that special body. This created a bad feeling between Blaine and Conkling, as it seemed to the latter like a continuation of the conspiracy between Robertson and Blaine, hatched at the Chicago Convention. Thus the seeds of a strong and bitter antagonism were sown between these two leading spirits in the Republican party, each aspiring to be at least the power behind the throne.

After Garfield’s inauguration Blaine was made Secretary of State. Great credit for the Presidential success was not only due to Mr. Blaine, but in a large degree to Judge Robertson also, as without his assistance Garfield could not have been nominated. So it was necessary to take care of Judge Robertson too. This was done by making him Collector of the Port of New York. These appointments were severe political blows, which, in the nature of circumstances, fell with full force upon the devoted head of Senator Conkling.

These events led to the sudden resignation of Senator Conkling and Senator Platt, “Me Too,” and a very serious division in the ranks of the party, under the respective names and banners of the Stalwarts and the Half-Breeds.

The excitement growing out of the political battle between these factions aroused the intemperate zeal and insane delusions of Guiteau to kill the President. Thus the thread of cause and effect, when followed up in this way, is entangled in the deepest mystery.

CHAPTER XXXI.

GRANT'S SECOND TERM.

The Best Man for the Position and Most Deserving of the Honor.—How the "Boom" was Worked Up in Favor of Grant.—The Great Financiers and Speculators all Come to the Front in the Interest of the Nation's Prosperity and of the Man who had Saved the Country.—The Great Mass Meeting at Cooper Union.—Why A. T. Stewart Refused to Preside.—The Results of the Mass Meeting and how they were Appreciated by the Friends of the Candidate, Leading Representatives of the Business Community and the Public Press Generally, Irrespective of Party.

I wish to relate briefly the part which I took in the re-election of General Grant, whose defeat, when he was spoken of as a candidate for the second term, was foreshadowed among a large number of politicians of every stripe. There were serious divisions in the ranks of his former friends and adherents, and an organized effort was made to destroy his prospects a long time in advance of the meeting of the Philadelphia Convention.

All the political machinery of his enemies, and of disappointed office seekers and their friends, was put in force, and all the tactics and prejudices employed that were put into operation with greater success four years later.

I felt assured that the nomination of any other man might result in the defeat of the party, and that it was absolutely necessary to its strength, maintenance and autonomy that General Grant should again be our choice. He had been tried for one term and found to be a very satisfactory executive. There was no important risk involved in trying him for a second term while the experiment with another man in the then sensitive, unsettled and tentative condition of reconstruction, might have been injurious to the best political and industrial interests of the country; and the experiment would have been especially risky if the nominee should have been a Democrat.

The people of the South were not then in a proper frame of mind to be trusted with any power implying the mere possibility of obtaining a controlling influence in the affairs of the Government. I perceived it was important that the Republicans should

make a nomination that had a fair prospect of being successful, and I felt satisfied that the result would be extremely doubtful if we should nominate any other man.

Besides, no other man was more deserving of the national compliment, considering that he had done so much to terminate the struggle for national existence, and had been the chief force in suppressing the Rebellion. His genius and courage had been chiefly instrumental in preserving to the country the blessing of a Republican form of Government. For this boon no people could ever be too profuse in the manifestations of their gratitude.

This was the patriotic feeling deep in the hearts of the people at large, but there was a secret movement engineered by "sore-head" politicians, behind whom were even more dangerous enemies, to thwart patriotic purposes. Some of these conspirators had been brooding over latent schemes of anarchy for a long period, and had been attempting to put them in organic shape before half the first term of General Grant had expired. They were hard at work training public opinion, by every means in their power, to prevent Grant's renomination.

This hostile element was sedulously hatching scandals and ventilating them in subsidized newspapers, and through various other disreputable channels.

This opposition increased in violence and intensity, and as the time approached when the country was to choose its next President, the renomination of General Grant became a matter of serious doubt, even to some of his most enthusiastic supporters. It had become a foregone conclusion that the Democrats would draw largely from the Republican ranks, and the anxiety on this point was intensified by the hostility of the *Tribune*, and the prospect of Horace Greeley's candidacy. It was absolutely necessary, therefore, that an energetic effort should be made, and the requisite steps taken to ensure General Grant's success at the Convention.

I entered into this feeling with a great deal of personal enthusiasm. What was my motive? some one reading this may ask.

Because I believed the sacredness of contracts, the stability of wealth, the success of business enterprise, and the prosperity of the whole country depended on the election of Grant for President.

If the reader wants to get at the selfish motive, as all readers do, I shall be perfectly candid with him in that respect also. Of course I knew that Wall Street business would boom in the wake of this general prosperity. That was the selfish motive, from which no man is free. Of course, I expected to share in Wall Street's consequent prosperity.

I did not want office, as several of the highest were offered me which I respectfully declined; and no office in the gift of the people would have compensated me financially; and moreover, my highest ambition has been satisfied in my own line of business.

I went to work then in the interest of Grant for the second term. I employed numerous canvassers at my own expense, to find out the minds of the representative business men on the subject, and to talk the matter up with those interested in Republican success. These men reported to me daily, and in a short time I had sounded the minds of that part of the business community who had the greatest stake in the country, and whose influence is always most felt when any important achievement is to be compassed. I sent out a petition, and obtained the names of a splendid array of merchants and business men of all shades of opinion and politics in favor of Grant. Following is the heading of the petition:

> "A PUBLIC MEETING.
>
> "To the merchants, bankers, manufacturers and other business men in favor of the re-election of General Grant:
>
> "The undersigned, desiring publicly to express their earnest confidence in the sagacity, fidelity, energy and unfaltering patriotism, so signally displayed by Ulysses S. Grant in securing the restoration of peace at home, upholding national rights abroad, and in maintaining throughout the world the honor of the American name, do hereby invite their fellow citizens to assemble in mass meeting at the Cooper Institute, on Wednesday evening, the 17th of April, 1872."

This call was chiefly the result of the personal canvass which I had instituted a few weeks previously. I selected the names of the persons to be called on from day to day, and kept these men working the matter up, until I had secured almost all the reputable business firms in the city of New York. The following, whose original signatures I have still in my possession, were prominent in the list:

WILLIAM E. DODGE,
JOHN C. GREEN,
HENRY F. VAIL,
GEORGE T. ADEE,
REV. SAMUEL OSGOOD,
WILLIAM H. FOGG,
BENJAMIN B. SHERMAN,
ROBERT L. STEWART,
WILLIAM HENRY ANTHON,
E. D. MORGAN,
JAMES BUELL,
H. B. CLAFLIN,
W. R. VERMILYE,
WM. M. VERMILYE,
CHARLES L. FROST,
NATHANIEL HAYDEN,

JESSE HOYT,
WILLIAM BARTON PEAKE,
EMIL SAUER,
JACOB OTTO,
JOSEPH STUART,
J. STUART,
THOS. GARNER ANTHONY,
FREDERICK S. WINSTON,
MORRIS FRANKLIN,
WM. C. BRYANT,
R. H. McCURDY,
JOSEPH SELIGMAN,
THEODORE ROOSEVELT,
WILLIAM ORTON,
CHARLES P. KIRKLAND,
PETER COOPER,
HUGH J. HASTINGS,
SAMUEL B. RUGGLES,
CORTLANDT PALMER,
JONATHAN EDWARDS,
CHARLES KNEELAND,
S. R. COMSTOCK,
PITT COOK,
THOMAS J. OWEN,
OTIS D. SWAN,
GEORGE OPDYKE,
HARPER & BROS.,
JOHN C. HAMILTON,
GEO. W. T. LORD,
SAMUEL T. SKIDMORE,
JONATHAN STURGES,
WM. H. VANDERBILT,
SHEPARD KNAPP,
WM. H. ASPINWALL,
J. S. ROCKWELL.

It is sad to reflect that these are all now numbered with the mighty dead.

These names will serve to show the great number of prominent people gradually departing from us every few years.

The name of the number of those yet alive who signed that petition is legion. In fact those who did not sign it were those whose names were not worth having. To put it mildly, I secured through their own signatures, by this method, all whose names were desirable. Our forces having been mustered in this way, the next thing was to disconcert the enemy, and inspire our own party by showing our available strength, and the power and enthusiasm behind the movement. This we proceeded to do by calling a mass meeting at the Cooper Institute for April 17, 1872.

The meeting was an immense success, in numbers, brains and respectability. The hall was crowded and the outside meeting was several times larger.

Mr. A. T. Stewart had been invited to preside. He had been a warm friend of General Grant, but had then become lukewarm and indifferent, owing to the fact that he had failed to obtain a Custom House promotion for one of his wife's near relations. I had endeavored for several days to soften Stewart's heart and get him to consent to be chairman of the meeting, but he was incorrigible. Finally, I succeeded in extorting a promise from him that if he did not vote for General Grant he would not vote against him, but beyond this it was impossible to mollify him. He was a paragon of obduracy when he had once resolved upon any course. Even the recollection that he, though an alien born, had been offered the second highest position of trust in the nation, Secretary of the Treasury, which he could not accept on account of being in business, failed to draw out his feelings of gratitude sufficiently to forget the fancied slight of refusing his wife's relative promotion.

Failing to secure Mr. Stewart, I invited Mr. William E. Dodge to preside. He graciously accepted the invitation and made a very good chairman indeed.

The array of Vice-Presidents was said to excel anything that had ever appeared in a similar list of the proceedings of any meeting in this city.

I had invited Fred. Douglas and P. B. S. Pinchback, the eminent colored orators, to the meeting, but they could not attend, as they were at a New Orleans convention of their own people. Mr. Rainey, a colored gentleman, spoke most eloquently and with telling effect. This was the first time since the war that a colored orator had addressed a meeting of whites on politics in New York, or probably in the North. Prior to this the colored vote for Grant had been in doubt, as Horace Greeley, whose name was a word to conjure with among these people, had recently been swinging around the circle down South, with a view of capturing alike the vote of the colored people, who loved him, and that of the Democrats, who hated him. By a curious fatality he failed to capture either. As Blaine has truly said of him: "No other candidate could have presented such an antithesis of strength and weakness."

There had been no meeting for a long time previous to this that had been the cause of such an enthusiastic awakening in the party and among politicians generally over the

whole country, as this great demonstration of the people at the Cooper Union. It crushed the aspirations of the so-called Independents and smothered the lingering hopes of the Democratic party.

In order to show the influence of this mass meeting upon the destiny of political parties in the Presidential election of 1872, it will be necessary to take a retrospect of the impression it made on parties most deeply interested in the result, and to make known their private opinions on the subject. Inside history of this nature is always instructive, and time has clothed with the attribute of public property, what at one time was a very precious political secret.

Among the striking incidents of the night of that meeting I distinctly recollect one that was truly prophetic, in regard to Senator Henry Wilson, of Massachusetts. A number of the speakers and other prominent men took supper with me at the Union League Club after the meeting, and in proposing the health of Senator Wilson, who had spoken so eloquently, I nominated him for the Vice-Presidency, and sure enough he was afterwards elected to that position.

I shall take the liberty in this place of introducing to the reader a few letters hitherto unpublished, which throw considerable light on the value of the political work done by myself and friends at that time, and how it was appreciated by those most deeply interested in its outcome.

The following from the White House shows how anxiously the current of events was being watched from that great centre:

"EXECUTIVE MANSION, }
WASHINGTON, D. C., April 17, 1872 }

MY DEAR CLEWS:

I have received your several interesting letters in regard to the great meeting in New York, and have shown them to the President, who read them with deep interest. I have not written any suggestions, because I know you, being on the ground, could judge so much better of the situation, and the temper of the New York people. You have done a great work, and this evening's success will, I have no doubt, be the reward of your efforts. We shall look anxiously for the reports. What you say is curious about the use of Dix's name and others. Our people are at work in Congress getting up telegrams signed by the Republican members of all the State delegations endorsing the administration of General Grant. I wish we had thought of these sooner, but still we can get them all in time, I hope. I have just come from the House, where I was looking after this matter. Wishing you every success,

I remain yours very sincerely,

HORACE PORTER,

(Sec'y to President Grant.)

After the meeting the President's Secretary writes as follows:

EXECUTIVE MANSION, }
WASHINGTON, D. C., }

April 19, 1872. }

MY DEAR CLEWS:

I have only a moment before the mail closes to say how earnestly all congratulate you upon the great success of the meeting.

It was glorious and genuine. We read the proceedings in full in the *Times* last night. It has created a marked effect in Congress and elsewhere. Nearly every Republican in the House would have signed the congratulatory telegrams, but the movement was started so late in the day that the paper was not presented to any one.

Yours very truly,

HORACE PORTER.

The following, from the Hon. Roscoe Conkling, is a very flattering reminiscence, which I highly appreciate:

UNITED STATES SENATE CHAMBER, }
WASHINGTON, April 19, 1872. }

MY DEAR SIR:

As a New Yorker and a Republican, I want to thank you for the great service you have rendered our country and our cause in conceiving and carrying forward the great meeting of night before last.

The effect of it will be wholesome and widefelt; it was most timely, and its whole management was a success. Our friends all, I think, know and appreciate the large debt due you in the premises.

Noting your suggestions as to the future, I lay them to heart.

Yours sincerely,

ROSCOE CONKLING.

HENRY CLEWS, Esq.

The New York *Herald's* special from Washington next day after the meeting said:

"The President, in conversation with Senators who called upon him this morning, expressed himself as much pleased with the demonstration in New York last night, which he regards only as evidence of the popularity of the Republican party. He has been assured, from reliable sources, that the leading Democratic merchants and bankers in different parts of the country are anxious that the Republican party may completely triumph at the coming Presidential election, as the surest way of maintaining our credit, and resisting anything like a financial crisis, which they regard as certain if their own party should succeed."

Following are the address and resolutions expressed through the representatives of a grateful people in favor of the hero who had saved the country:

Grant Meeting at Cooper Institute, March 17, 1872.—Address and Resolutions.

ADDRESS.

Hon. E. Delafield Smith, on behalf of the Committee of Arrangements, read the following address, remarking that it was prepared by one of the most eminent and substantial of our business men:

The administration of public affairs under the government of President Grant has been eminently wise, conservative and patriotic; our foreign relations have been conducted with a scrupulous respect for the rights of other nations, a jealous regard for the honor of our own; the noble aspiration with which General Grant emphasized his acceptance of his great office, "Let us have peace," has been happily realized; the Union has been completely re-established on such principles of justice and equity as to insure its perpetuity; the Constitution, with all its amendments, has been adhered to with rigid fidelity; domestic tranquility has been restored; a spirit of humanity has been infused into our Indian policy; the revenues of the country have been faithfully collected and honestly disbursed, so that, while the burdens of taxation have been materially lightened, the public debt has been largely reduced, and the national credit appreciably strengthened; all branches of industry have been stimulated to healthy activity; and throughout the length and breadth of the land security, prosperity and happiness reward the perils and sacrifices by which the rebellion was suppressed and the Union preserved.

It is an act of poetic justice that the soldier whose victories in war, and the statesman whose triumphs of peace have made the last decade the most glorious in the annals of American history, should receive an earnest of the gratitude of his countrymen by his re-election to the Presidency.

It is an auspicious circumstance that the people are evidently awakening to a higher sense of the duties and responsibilities of public officials. There is a general disposition to hold men entrusted with place and power to a strict accountability for their acts, and to demand that honesty and capability shall be the inflexible conditions of appointment to office. The recommendations of the president in favor of the principles enunciated in the report of the Civil Service Commission, were timely and apposite, and deserve universal endorsement.

Numerous investigations have been set on foot during the present session of Congress, having for their object the discovery of corruption in the public service. Disaffected Republicans and partisan Democrats have made common cause in the endeavor to elicit evidence tending to show acts of wrong doing, and to implicate the President in knowledge or toleration of such acts. As in the days of Daniel, "they sought to find occasion against him." But, like the enemies of Daniel, "*they could find none occasion nor fault, forasmuch as he was faithful, neither was there any error or fault found with him.*"

The more incisive the scrutiny, the more palpable the demonstration of his purity. The cost of pursuing these investigations has exceeded the aggregate loss incurred by the Government through the dishonesty of its subordinates since the administration came into power.

A record so clear and honorable challenges the admiration, and compels the approval of citizens whose only aim is to secure a stable and beneficent Government—to preserve inviolate the faith of the nation—to give security to capital, adequate reward to labor, and equal rights to all.

With the grievances of disappointed office seekers, the masses who thrive by their own toil, cannot be expected to find time or patience to sympathize. Whether this Senator has had more or that Senator less than his share of patronage, are insignificant questions compared with the grave issues involved in a Presidential canvass. It is the constitutional prerogative of the President to make appointments to office. That he has not exercised these functions unwisely, the success of his administration abundantly proves.

Believing that General Grant's civic career fitly supplements his military greatness, that he has brought to the discharge of his duties to the State the same energy, foresight and judgment which marked his achievements in the field, and made his campaigns from Donelson to Appomatox for ever illustrious; and that he possesses and deserves the confidence of the American people, we pledge to him our united and hearty support as a candidate for re-election.

RESOLUTIONS.

Hon. E. Delafield Smith, Chairman of the Committee on Resolutions, presented the following:

First. That the merchants and mechanics, the bankers and business men of New York, represented in this meeting and in the call under which it is assembled, are satisfied with the wisdom, ability, moderation and fidelity with which the national government is administered, and in common with the bulk of our brethren throughout the Union favor the continuance of its distinguished head in the office which he holds with usefulness and honor.

Second. That the practical result of the coalition movement, if successful, would be to restore the Democratic party to power.

Third. That such a restoration, after the late glorious triumph over rebellion, would read in history like the record of a Tory resurrection at the close of our revolutionary war.

Fourth. That Republicans elected to office mainly by those who assailed the Union at the South and at the North embarrassed its defenders, would inevitably become serviceable to the powers that sustain them, like those northern presidents who were chosen by the South and did its bidding better than its own statesmen.

Fifth. That the patriotism that made Grant President of the Republic he saved, is akin to that which placed Washington at the head of the nation he created. The trust was accepted by each at a manifest sacrifice of interest and inclination, with modest misgiving as to civic experience and qualification. But having been well and wisely administered, the confidence implied in a re-election is an appropriate reward for faithful services, and accords with the broadest views of public policy.

Sixth. That against hostile criticisms and unfounded imputations, against alluring promises and prismatic theories,—we array the practical reforms constantly inaugurated and the substantial results already achieved by the present administration. The chronic vices of existing systems, unfairly paraded to its injury, have been placed in a course of amelioration or removal. The reduction of the national debt has elicited the admiration of the world. Our diplomacy has made peace the ally of national honor. And our President has been in deed as in name a kind and "great father" to the Indian tribes still lingering within our borders.

Seventh. That while honorable opposition is entitled to respect, every effort to blacken, for political purposes, the character of President Grant, is a crime against truth which vindicates him, and an insult to the American people who honor and exalt him. Pure in private as irreproachable in public life, with strong convictions yet deferential to the popular will, patient under attack, more ready to listen than to speak, with no display and no ostentation—those who know him best bear testimony to the sense, the sagacity, and the power of analysis by which his utterances are characterized and impressed.

Eighth. That in the judgment of this meeting a majority of the people of the country expect, desire, and decree the renomination and re-election of Ulysses S. Grant.

SPEECH OF HON. E. DELAFIELD SMITH.

Mr. E. Delafield Smith said:—Fellow Citizens:—It is manifest to us all that President Grant will be renominated at the Convention in Philadelphia. It is equally clear that such is the wish of the American people. This is due to a confidence reposed in him by the "plain people" of the country, which no misrepresentation seems able to impair. His opponents assert that the public declarations in his favor are

influenced by the office holders. But this cannot well be, for the office *holders* are always far outnumbered by the office *seekers*. With regard to executive patronage, it is as true now as when Talleyrand first said it, that every office conferred makes one ingrate and forty-nine enemies. The truth is, possession of the offices is a source, not of strength, but of actual weakness to any political party. In spite of this, General Grant is so strong and popular that a coalition is frantically sought as the only and forlorn hope of defeating him. It is thought that the Democratic masses can be carried over bodily to the few Republican seceders. But the moment the Democratic organization is relaxed, it will lose its hold upon thousands of its own members, and they may and will prefer in voting for a Republican to make the choice themselves, and they will rally in large numbers to the hero of our patriotic armies. The coalition meeting, lately held in this city, recalls the old arrangement as to colored troops, where the officers were white men, but the rank and file negroes. So here, the platform was covered with Republicans, but the audience was made up of Democrats. In thus acting with their old opponents our disaffected friends boast of their independence, and impute servility to us. But they are wrong. That man is most independent who is at once loyal to his country, true to his party, and faithful to his friends! With these brief observations, I move the adoption of the address and resolutions.

My only apology for inserting the above address and resolutions is, that I believe they constitute a valuable epitome of a very important chapter, yet to be more fully written, of the political history of the United States.

A greater criterion of the success of the meeting, however, was the editorial opinion of the *Evening Post* next day, which had been for a long time previously very bitter in its attacks upon General Grant. It said:

"The meeting held last evening at the Cooper Institute was, we believe, without precedent in our political history. It was expressly called as a gathering of that branch of the Republican party which desires the nomination and re-election of President Grant. Yet, when it came together, the officers and speakers assumed that it was a mass meeting of the Republicans of New York. This is to say, according to the organizers and promoters of this gathering, the one test of Republicanism now is the political support of one man's aspirations, and that before any nomination has been made by that party. This is a singular position to receive the approval, at least, by their acquiescence, of such men as some scores of those whose names are prominent in the report of the meeting, and who, as we know, would prefer some other candidate than General Grant, if they could hope to control the Philadelphia nomination.

"The power of this meeting was wholly in its organization. The list of officers chosen by it is, on the whole, the best, most reputable, and most influential commanded by any partisan meeting within our recollection. There are a few names on it which disgrace their fellows; there are many which carry no weight, but an unusually large proportion of the very long list are eminent and representative names in this city. The audience assembled was in many respects in keeping with the officers. It consisted mainly of reputable, thoughtful voters."

The good work was continued until November with the result that is now historical.

The New York *Sun* said: "We believe that Henry Clews did more, in a pecuniary way, to promote the success of Grant, than any Republican millionaire of the Union League Club."

Another mass meeting was held late in the fall. Referring to it, and other events of that period, the President's Secretary writes a few days prior to the election as follows:

WASHINGTON, D. C., Nov. 2, 1872.

MY DEAR CLEWS:

We are all greatly obliged for the documents and information which you have sent us during the campaign. The President says the list of vice-presidents of the last Cooper Institute meeting is the most remarkable list of prominent names he has ever seen upon one paper. It will of itself do great good.

Our news is charming from all quarters, and all our hopes will, without doubt, be fully realized on Tuesday next.

If the defeat of the enemy is overwhelming, it will be sufficient reward for all our labors.

Your very truly,

HORACE PORTER.

To show still further the interest which the leading merchants, bankers and business men of this city took in the movement to re-elect General Grant at that time, the following circular furnishes an excellent and historical record. It constitutes, in a small compass and compact form, a valuable chapter of financial history:

CIRCULAR

Of the Business Men of New York on the Financial Condition of the National Debt of the United States. Further Reduction October 1, 10,327,000 Dollars.

The undersigned, merchants, bankers and business men of New York, respectfully submit the following statements for the information of all parties interested therein:

The Republican candidate for President of the United States is Gen. Ulysses S. Grant, who was unanimously named for re-election at Philadelphia, in May last.

At the commencement of Gen. Grant's first term of office, March 4, 1869, the national debt was $2,525,000,000. On the first day of September, of the present year, there had been paid and cancelled of the principal of this debt, $348,000,000, leaving a balance of principal remaining unpaid at that date, in accordance with the official statement of the Secretary of the Treasury, the sum of $2,177,000,000.

Of this amount, $1,177,000,000 are represented in a funded debt, bearing interest in gold, while $400,000,000 remain unfunded in Treasury circulation.

Up to the close of the last session of Congress, the annual reduction of taxes, as measured by the rates of 1869, had been as follows:

Internal revenue tax	$82,000,000
Income tax, (repealed,)	30,000,000
Duties on imposts,	58,000,000
Making a total reduction of	$170,000,000

The reduction of the yearly interest on the public debt exceeds the sum of $23,200,000, of which $21,743,000 are saved by the purchase and cancellation of the six per cent. public securities.

A careful consideration of these results of a prudent and faithful administration of the national Treasury, induces the undersigned to express the confident belief, that the general welfare of the country, the interests of its commerce and trade, and the consequent stability of its public securities, would be best promoted by the re-election of Gen. Grant to the office of President of the United States.

New York, Oct. 4, 1872.

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CHAPTER XXXII.

THE TWEED RING, AND THE COMMITTEE OF SEVENTY.

The Ring Makes Itself Useful in Speculative Deals.—How Tweed and His "Heelers" Manipulated the Money Market.—The Ring Conspires to Organize a Panic for Political Purposes.—The Plot to Gain a Democratic Victory Defeated and a Panic Averted Through President Grant and Secretary Boutwell, Who Were Apprised of the Danger by Wall Street Men.—How the Committee of "Seventy" Originated.—The Taxpayers Terrorized by Boss Tweed and His Minions.—How "Slippery Dick" Got Himself Whitewashed.—Offering the Office of City Chamberlain as a Bribe to Compromise Matters.—How the Hon. Samuel Jones Tilden, as Counsel to the Committee, Obtained His Great Start in Life.

The Tweed Ring had considerable experience in and out of Wall Street for several years during the municipal reign of the famous Boss. I have made some reference to their attempts to manipulate the market through tight money, in my biographical sketch of that Wall Street celebrity Henry N. Smith.

The Ring was often highly subservient in assisting certain operators in speculative deals in stocks, one notable instance being in Hannibal & St. Jo. shares, which resulted in a terrible loss to Boss Tweed & Co. This stock became quite neglected for a long period afterwards, and so remained until the famous "corner" was engineered many years after by John R. Duff, of Boston, through his New York broker, Wm. J. Hutchinson, and by which poor Duff was almost, if not entirely, ruined. It is only justice to Mr. Duff, in this connection, to state that he was not to blame, as an exhaustive investigation by the Governing Committee of the Stock Exchange showed that his trouble chiefly arose through flagrant dishonesty and betrayal of trust on the part of his agent, in whom he reposed too much confidence.

Boss Tweed and his special retainers sometimes made Wall Street instrumental in engineering national and State political movements. About the time of an election, if their opponents happened to be in power, the Ring would produce a stringency in the money market, by calling in simultaneously all the city money, which was usually on temporary loans in the Street.

This the Ring managers would accomplish through some of the banks which were the depositories of the city funds, and were under their control.

By this means they worked up a feeling of antagonism against the Republicans who were in office, by throwing the blame on them, and thus rendering them odious in the eyes of those who had lost money in speculation. The blame was not unnaturally fastened on the party in power, and most men, when they lose money, are credulous enough to believe anything that seems to account for the manner in which the loss has been sustained. It seems to have a soothing effect upon their minds, and furnishes them with a tangible object upon which they may wreak their vengeance and feel satisfied. There is nothing so irritating to the disappointed speculator as the harassing doubt of where to fix the blame.

The Tweed Ring supplied this long-felt want, and filled the aching void in the heart of the man who happened to get on the wrong side of the market. When speculators frequently had their margins "wiped out," and were almost beggared of everything except their votes, they found that consolation which Wall Street refused them, in the sympathetic hearts of Tweed's "heelers," who pointed to the poor office-holders of the Republican party, representing them as the sole possessors of Pandora's box, which contained all evils that flesh is heir to.

So these financial disasters were brought about by the Tweed party for the purpose of getting their friends into office, which always paid tribute to the Boss when he was instrumental in elevating a person to a fat position. He, himself, did not want any better office than receiver general of this tribute.

In those days a Presidential election was largely influenced by the way Pennsylvania went, so that it had grown into a political maxim, "As goes the Keystone State so goes the Union."

In the Spring of 1872, the year in which General Grant was the Republican candidate for the second term, when it was decided that Horace Greeley should be the Democratic candidate, great efforts were made to produce a panic in Wall Street. It was arranged by the Tweed party that the panic should take place simultaneously with the State election in Pennsylvania, so as to illustrate the evil results of Republican rule, and turn the influence in favor of Mr. Greeley's election.

I received intimation of this politico-speculative conspiracy, and communicated my information to Senator Conkling, who was stopping at the Fifth Avenue Hotel at the time. I told him that the Democrats were working up a panic to help to defeat General Grant. He said it was the first he had heard of it, but it was so like a move that Tweed and his party would make, that he felt there was just cause for alarm about it, and he requested me to go and see Governor Morgan, and also George Opdyke, on the subject. I found that the Governor was at a church meeting, and I left my card telling him to call

upon me at the rooms of the Republican National Committee, as I wanted to see him upon important business. I left word for Mr. Opdyke to call also.

The Governor soon presented himself at the Committee rooms, and I divulged to him my information and suspicions. He did not exhibit so much interest as I imagined the importance of the case demanded, and he appeared to doubt the correctness of the report of the political intentions of the Tweed Ring, or rather he seemed to imagine that the Ring was hardly capable of a move that involved such subtlety and depth of design. Therein he greatly underestimated the power, resources and statecraft of Peter "Brains" Sweeney. The Governor was of a phlegmatic temperament, and it was difficult to convince him of anything that was not very clearly demonstrable. I told him that my information was of such a positive and reliable nature that I knew I was right, and that if there should be a panic in Wall Street I had serious apprehensions that it would prove disastrous to the Republicans in the national campaign.

Governor Morgan appointed a meeting for the next day to discuss the matter more fully and obtain further light upon the subject. I took with me to see the Governor, whom I had now convinced of the reality of the political plot, Mr. George Opdyke and Mr. H. B. Claflin.

In the meantime the Governor had seen Travers, who, being an inveterate bear on the situation, had an inkling of what was in progress to break the market. The Governor had satisfied himself that my representations were correct, and that trouble was really brewing. He then entered with earnestness into the question of the best policy to be adopted to obstruct the schemes, and frustrate the purposes of the Democratic party.

I then suggested, that as the matter did not admit of delay, it was highly essential that some one, or more, of us should go to Washington to see General Grant. The Governor said he could not go. I could not go, and neither could Mr. Claflin. So Mr. Opdyke, who was very ready in such matters, consented to bear the important message in person, provided we all agreed to back him up by writing a strong letter to the President, setting forth the facts in relation to the emergency. This we did, and Mr. Opdyke left at once for Washington. This was on Friday evening, and he transacted his business with more than ordinary despatch, and returned on Sunday morning. He sent for me, and told me that he had explained the matter to the President, who felt exceedingly grateful for the warning which he and our letters had conveyed, and that he had forthwith consulted with the Secretary of the Treasury, and it was resolved to order the purchase, on Monday, of ten millions of bonds, and the sale of ten millions of gold, for the purpose of averting, in advance, any financial disturbance that might arise through the project of the Tweed Ring to create an artificial stringency in the money market.

Then I saw that these men who were engaged in the conspiracy to create a panic, and benefit themselves both politically and financially by its results, were a deeply designing lot, and that under the law, gold could be bid up, the highest bidders obtaining

it, having the option of either paying by depositing their money in payment for it in the National depositories, which were the Fourth National Bank and the Bank of Commerce, or else depositing it in the Sub-Treasury. If deposited in the latter it would be locked up, and the effect intended by the Treasury, to make money easy, would be neutralized, in so far as the influence of the money as a circulating medium was concerned.

In order, therefore, to provide for that probable contingency, my firm subscribed for the whole ten millions of gold, the names being the clerks of my office. We were awarded eight millions, and we paid the money into the Bank of Commerce, and the Fourth National Bank, through which it was brought into circulation.

Thus ten millions of greenbacks and also ten millions of gold came fresh from the Sub-Treasury into circulation immediately, promptly anticipating and defeating the machinations of the Ring.

The Tweed Ring being "all broke up" on this deal, the effect was magical on the market. The plans of the conspirators had been entirely upset, and the Pennsylvania election took place a few days afterward with an overwhelming majority for the Republicans.

Had the panic, which was projected by the Ring, taken place, the result might have been otherwise, and the re-election of Grant thus jeopardized.

After this triumph over Tweed and his gang, I set my wits to work to plan their overthrow. I saw that their power was entirely money power, obtained by official position through official theft. I was satisfied that these patriots who had put their hands up to the elbows in the City Treasury of New York were bent upon buying, stealing or otherwise obtaining their way to the National Treasury at Washington.

They had hoped to do there on a large scale what they had accomplished on a smaller scale in the city of New York, where they were becoming restive under their limited resources.

It was with the view of suppressing the dangerous aspirations of this band of political marauders that I originated the well known Vigilance Committee of Seventy, and at the first meeting to organize this committee I nominated sixty-five of its members.

The committee was thus backed at the start by so many prominent citizens as to make it at once a power in the community.

Then for the first time in many years the citizens of New York were emboldened to become outspoken on the subject of political plunder and tyranny, and against the officials who had ruled the city with a rod of iron.

For a long time previous to this there had been grave suspicions that robbery on a large scale was being perpetrated, but no one dared to give utterance to the fact except with bated breath and in half smothered whispers. No one, with the possible exception of a few who were not taxpayers, had the temerity to open his mouth to say a word against the desperate men who controlled the destinies of the city, through fear that on the event of any remark reaching the ears of the Boss or his minions, the property of the person thus offending should be marked up to an artificial value and his taxes accordingly increased. This was one of the most effective methods pursued by the Ring to choke off unfriendly criticism by the rich men of the city. In this way the power of some of the most influential citizens became paralyzed, being held in complete subjection under the terrorism of this subtle system of blackmailing.

The power the Ring possessed of covering up the rascality of its members and bamboozling the public is hardly conceivable at this day except by those who had experience of it at the time. As an instance of this I may state that some time prior to the appointment of the Committee of Seventy certain accusations were ventilated against Richard Connolly, the City Comptroller. He put on a bold front, and insisted upon an investigation of his department by a committee of leading and prominent citizens. He named his committee, who were Moses Taylor, Marshall Roberts and John Jacob Astor. These were men against whom no person could have any objection. They were wealthy and independent citizens, and it might have been difficult at the time to have selected any other three who commanded greater confidence in the community. The investigation, through the unblushing effrontery and audaciousness of Connolly and his "pals," resulted in an acquittal of Mr. Connolly, which gave him a new lease of political life, and rendered it more dangerous than ever for any one to utter a word of hostile criticism against his methods of managing the city finances.

Results showed, when the Ring was exposed, that Connolly had made the very best use of this investigation in appropriating additional sums out of the City Treasury.

The Ring was now supreme in city affairs, and the city was under a reign of terror. This state of things existed until the summer of 1872, when the Committee of Seventy got into harness, after which the despotic thieves that had ruled the roost so long, were driven from power one after another in rapid succession, and scattered to the four corners of the globe.

The task of ousting this brazen band of plunderers, root and branch, was attended with considerable difficulty, as their resources were so numerous and powerful. When they were no longer able to exercise their arbitrary power they stooped to every form of cajolery and bribery in order to adhere to the remnant of their official authority. As an illustration of this, I may state that at the beginning of my efforts in connection with the Committee of Seventy I was waited upon by a member of the Ring and asked if I would not accept the position of City Chamberlain. I said: "That is a matter, of course, which I

could not decide upon at once, as there is no vacancy at present. It will be time enough for me to consider the matter when a vacancy occurs, and then when the position is offered to me."

This answer carried with it an intimation, which I had intended, with a view of drawing out some of the internal methods of procedure in such cases, that I would probably accept the position and help to smooth over impending revelations. I thought that the end which the Committee had in view justified this means of mildly extorting an important secret in methods of Ring management, that was calculated to aid us in the work of municipal reform.

Next day I was again waited upon by one of Tweed's most trusty friends, who graciously informed me that the City Chamberlain had resigned, and that there was a vacancy which I could fill to the entire satisfaction of the then appointing power. I desired him to convey my feelings of deep gratitude to the powers that were then on the point of being dethroned, and to say that I very respectfully declined the flattering offer. I said that I had thought earnestly over the matter since the previous day, and as I was a member of the Committee of Seventy, which was a reforming organization, I felt that I could not conscientiously accept the position.

It was necessary that the office should be filled immediately, and it was next offered to Mr. F. A. Palmer, President of the Broadway Bank, which had been one of the Ring's depositories of the city funds.

Soon after this the majority of the city officials had resigned and taken their flight to parts unknown. They were scattered broadcast over the world. Some had gone to Europe, some to Cuba, and others to that favorite and paradisaical colony of defaulters, the New Dominion, leaving the Committee of Seventy, as a reform and revolutionary body, in complete control of the city.

Tweed remained, but was not quite so audacious in putting his pet interrogative, "What are you going to do about it?" He seemed to be convinced that the Committee of Seventy meant business. Mayor Oakey Hall also remained, and facetiously protested that as far as he was concerned everything was "O. K."

The Hon. Samuel J. Tilden began to loom into prominence about this time. Through the influence of William F. Havemeyer, he was chosen one of the three legal advisers of the committee. Abraham B. Lawrence and Wm. H. Peckham were the other two. Mr. Tilden was quick to seize this opportunity of sudden prominence to bring himself to the front and pose as a great reformer. Had it not been for the Committee of Seventy, I believe it is very doubtful whether this great reformer would ever have been known as such, and it is also exceedingly problematical whether he would have ever got the chance of being counted out, or, attempting through the magic of his occult cyphers, to count anybody else out of the Presidency of the United States.

SAMUEL JONES TILDEN.

CHAPTER XXXIII.

HON. SAMUEL J. TILDEN.

How Tilden began to Make his Fortune in Connection with William H. Havemeyer.—Tilden's Great Forte in Politics.—He Improves his Opportunity with the Discernment of Genius.—How Tilden became one of the Counsel of the "Committee of Seventy."—His Political Elevation and Fame dating from this Lucky Event.—The Sage of Greystone a Truly Great Man.—Attains Marvelous Success by His own Industry and Brain Power.—He not only Deserved Success and Respect, but Commanded them.—How his Large Generosity was Manifested in His Last Will and Testament.—The Attempt to Break that Precious Public Document.

Mr. Wm. H. Havemeyer had long been associated with Mr. Tilden in railroad wrecking and the reorganization of broken concerns of this character. Through this process both these gentlemen became wealthy. When, therefore, Mr. Havemeyer extended the right hand of fellowship to his confidential companion in money making affairs, and invited him to officiate as one of the counsel of three for the Committee of Seventy, Mr. Tilden was sharp enough to appreciate the opportunity, which he seized with avidity.

He was quick to discern the tide in the affairs of men which, when taken at the flood, leads on to fortune. He did not wait until the tide began to ebb, but, like an able seaman, set his sail at the propitious moment to catch the prosperous breeze as well as the tide. Thus, through a lucky chance and other men's exertions, Mr. Tilden was raised high on the very crest of the tidal wave of reform, almost before he knew it.

In the first instance, this happy accident of being one of the trinity of legal advisers to our committee, for which he was well paid, did not lead immediately so much to fortune as to fame, but it formed an important portion of the pedestal upon which the several millions which he so munificently bequeathed to educational purposes were subsequently raised. To fame he was then comparatively unknown. The Committee of Seventy enabled him to obtain the start which was chiefly instrumental in elevating him to a position of renown in national politics.

Tilden's great forte in politics, as in financial affairs and railroad matters, was to set a cash value on everything, and measure it accordingly. If he opened his "barrel" the contents were not distributed indiscriminately, but on the principle directed by the most expert judgment of where the money would do the most good—according to Mr. Tilden's ideas of good. What they were I don't attempt to explain, but, like the popular novelist, charitably leave them to the inference of the reader, or to that expert Moses who so ably deciphered occult telegrams from Florida and Louisiana when there was such a close contest for the office of National Executive.

Without departing from the main issue of my subject, however, I may say that the position which Mr. Tilden was enabled to assume as counsellor to our committee made it possible for him to rise from the, not to say dignified, although money-making, attitude of railroad wrecker to that of Governor of the Empire State of the Union, thus paving the way for him to become almost a successful candidate for the highest position in the gift of the Great Republic.

Such a sudden transition from comparative obscurity was enough to turn any ordinary head.

Seeing the unexpected course that both our local and national history have taken, it is impossible to say what might have been the course of this man's destiny, and the fate of this new Daniel come to judgment in canal ring masters, had it not been that his friend Havemeyer discovered him at an opportune moment, and rescued him from manifest oblivion in the nick of time.

It must be said, on behalf of Mr. Tilden, however, that he improved the occasion with the discernment of genius, and in the fullest degree, and to the highest extent, thoroughly justified Havemeyer's choice.

The soundness of that proverbial philosophy which holds that lightning never strikes twice in the same place seems to have been fully appreciated by Mr. Havemeyer, although this was a little ahead of the time that John Tyndall and other scientists of the modern school of discovery had demonstrated some of the recent wonders of electricity.

Tilden struck while the iron was hot, and though he failed to reach the highest pinnacle of his soaring ambition, he demonstrated the wonderful possibilities which lie in the path of obscure men who are blest with friends who look out for their welfare, and who have the precaution to turn the wheel of fortune in the right direction.

Whether it was the result of fate, genius, or wise direction, or a combination of all these attributes, I don't pretend to decide, but I have noted the simple facts from my own observation and experience, associated with the rise and financial progress of the Hon. Samuel J. Tilden, leaving others deeper in scientific and philosophic matters to supply the details and hidden mysteries of the causes of his marvellous prosperity.

The Committee of Seventy, when entering upon its labors, passed a resolution authorizing the appointment of a subcommittee by the chair to select and retain three lawyers to represent it in the matters of litigation that might arise in connection with the investigation. Mr. Havemeyer, being a member of the sub-committee, through his influence Samuel J. Tilden was one of the three appointed.

To give the reader an idea of the power and prestige of the Committee of Seventy at that time it is only necessary to state that it was instrumental in making Mr. Abraham Lawrence one of the Judges of the Supreme Court, and Mr. W. H. Peckham, the third counsel, could have obtained almost any judgeship he had desired, with perfect facility.

These cases are on official record, and are living examples to show that I am not exaggerating. Judge Lawrence still adorns the bench, with an excellent record behind him, and Mr. Peckham has been a prominent figure in many of the most important suits that have become historic in the State and City of New York.

Mr. Tilden saw the power which this committee, used as an instrument of recommendation, wielded, and he set his astute mind to avail himself of the reformatory advantages which it afforded. The committee was a reform body, and he saw his opportunity, as one of its counsel, to become a reformer also. He builded almost better than he knew, if I may be permitted to quote Scripture in this case, and he did not build on a sandy foundation either. He planted himself on the solid rock of reform principles, independent of politics or previous condition. It must be said, to his credit, that he used the material at his disposal with great tact and good judgment, and made an excellent reformer.

Whatever may have been said about him by political opponents, the late Sage of Greystone must be judged in this sinful world by the positions to which he honorably attained. He became a prominent and most estimable citizen of our great Republic, and had it not been for his age, and certain physical infirmities, the existence of which was a matter of dispute, he would have made a very good President, judging from his record as a Governor.

I have not intended to say anything especially disparaging or ill-natured about Mr. Tilden through any hostile feeling towards him, of which I never had any. My intention has been simply to show how easily a man can rise if he has the ability required to take passage on the tide of prosperity exactly at its flow, the magic point of embarkation which William Shakespeare has suggested.

So what I have stated about Mr. Tilden is in the main rather to his credit than otherwise.

For a man who attained such an elevated position of success by his own industry and brain power I have the highest respect and the deepest sympathy, knowing myself a good deal about the toil attendant upon climbing above the heads of the great majority of the

"masses" with a strong contingent of the envious "classes" always using their best efforts to pull a man down who attempts to aspire above a certain level. In fact, Mr. Tilden not only deserved success and respect, but he commanded them. Such a man should always be accorded most graciously his well-earned deserts.

I can, therefore, conscientiously subscribe myself one of the great admirers of his successful career on the whole, bearing always in mind that human nature is not perfect, and that there are few, if any, who have not had some murky clouds cast over their fair fame.

Although on strict moral principles we should never do evil that good may come, yet the manner in which Tilden disposed of the greater portion of his fortune will, even in the eyes of straight-laced moralists, go far to cover a multitude of sins in the acquisition of his wealth. There are probably few, if any, churches in the land that would have refused a portion of the bequest, no matter how familiar their members or their clergy might have been with Mr. Tilden's railroad methods.

In this imperfect sketch of the turning point of prosperity in Mr. Tilden's career, I have desired to show how little it requires to change the entire current of a man's apparent destiny. A man who attains such eminent success has his Creator to thank for endowing him in the first instance with the capacity to take advantage of the chances thrown in his way, and his own smartness for turning them to the best account.

I have taken Mr. Tilden up and devoted to his extraordinary career a few pages, from personal reminiscences, in this book, owing to the fact that he was identified with a number of railroads in the way which I have indicated above. His position in this respect naturally classifies him with some of our most prominent Wall Street speculators, investors and operators, and he thus naturally falls within the scope of the main subject of this book.

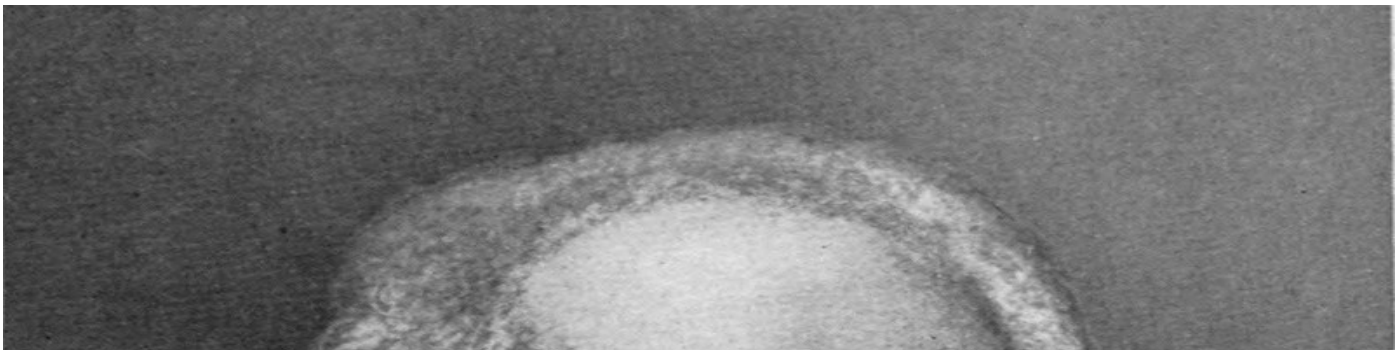
Mr. Tilden, in his will, ordered that if the will should be contested by any of the beneficiaries each and all of the contesting parties should be disinherited.

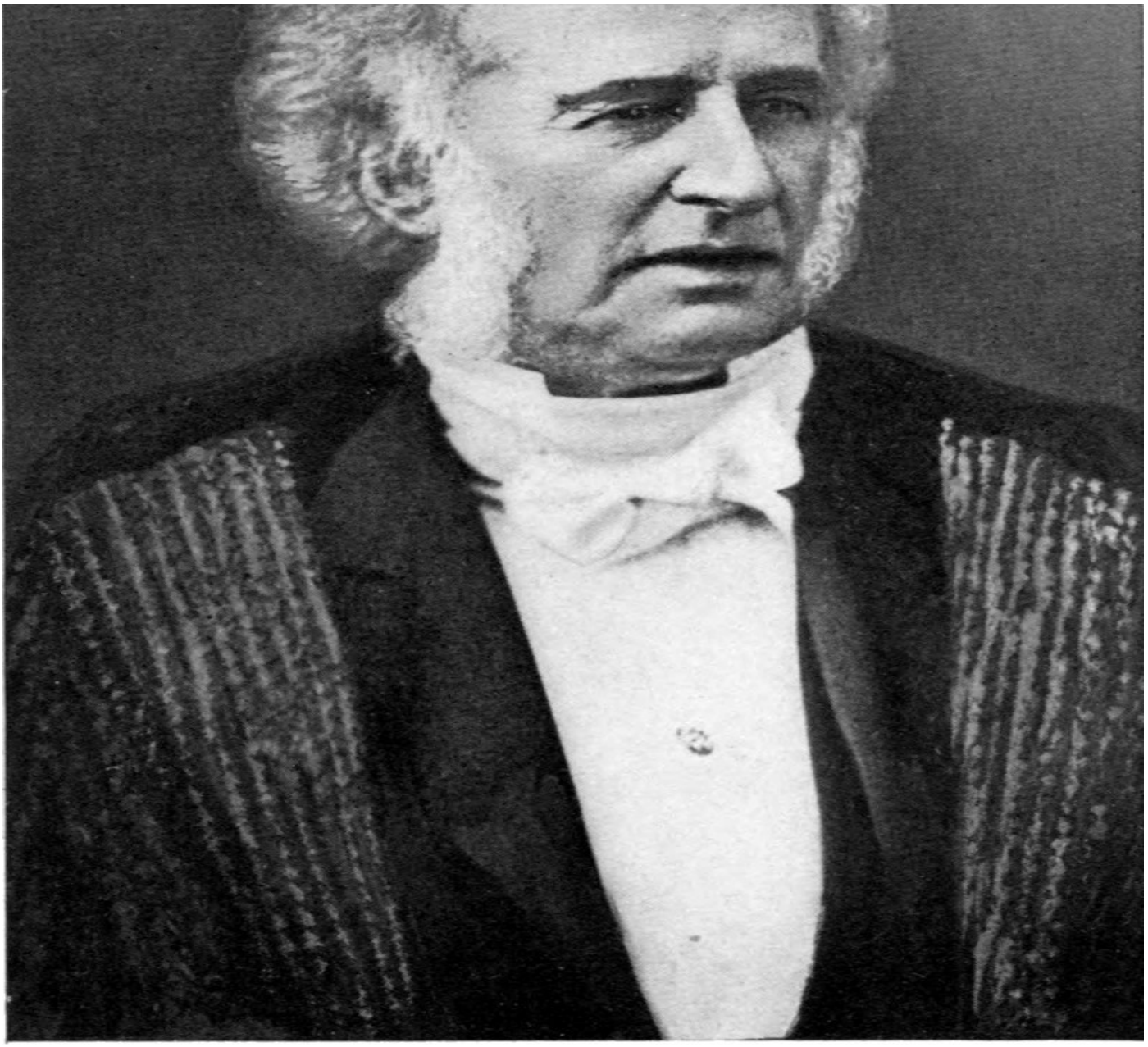
In spite of this prohibition, George H. and Samuel J. Tilden, sons of Henry A. Tilden, and nephews of the testator, contested the validity of the instrument, not on the ground of incapacity or undue influence, but upon construction.

Henry L. Clinton and Aaron Vanderpoel were the lawyers for the contestants.

It is curious that the will of a man so deeply learned in the law as Mr. Tilden was, should be questioned as to whether it was a legal document or not. But such was the ground of the contest. The point was this: The residuary clause empowers the trustees to apply to the Legislature for an act to incorporate a body to be called the Tilden Trust. This body, when incorporated, was to become the legatee. This method of procedure, according to the opinion of learned counsel in the law, bequeathed to the trustee under

the will the power to name the public legatee of the testator. It seems that a testator has no power to do this, according to the recent decisions of the Courts of last resort in this country, which, it would seem, Mr. Tilden had not read. Nobody but the testator himself has power to name the legatee. It appears he had the decision of the English Court in his mind, which allows of this method of bequeathing property. Following is the residuary clause in full, bearing upon this point: "I request my said executors and trustees to obtain, as speedily as possible, from the Legislature an act of incorporation of an institution to be known as the Tilden Trust, with capacity to establish and maintain a free library and reading-room in the city of New York, and to promote such scientific and educational objects as my said executors and trustees may more particularly designate. Such corporation shall have not less than five trustees, with power to fill vacancies in their number, and in case said institution shall be incorporated in a form and manner satisfactory to my said executors and trustees during the lifetime of the survivor of the two lives in being, upon which the trust of my general estate herein created is limited, to wit, the lives of Ruby S. Tilden and Susie Whittlesey, I hereby authorize my said executors and trustees to organize the said corporation, designate the first trustees thereof, and to convey to or apply to the use of the same the rest, residue and remainder of all my real and personal estate not specifically disposed of by this instrument, or so much thereof as they may deem expedient, but subject, nevertheless, to the special trusts herein directed to be constituted for particular persons, and to the obligations to make and keep good the said special trusts, provided that the said corporation shall be authorized by law to assume such obligation. But in case such institution shall not be so incorporated during the lifetime of the survivors of the said Ruby S. Tilden and Susie Whittlesey, or if for any cause or reason my said executors shall deem it expedient to convey said rest, residue and remainder, or any part thereof, or to apply the same, or any part thereof, to the said institution, I authorize my said executors and trustees to apply the rest, residue and remainder of my properly, real and personal, after making good the said special trusts herein directed to be constituted, or such portion thereof as they may not deem it expedient to apply to its use to such charitable, educational and scientific purposes, as in the judgment of my said executors and trustees will render the said rest, residue and remainder of my property most widely and substantially beneficial to the interests of mankind."





C Van Derbilt

C Van Derbilt

CHAPTER XXXIV.

COMMODORE VANDERBILT. —HOW HIS MAMMOTH FORTUNE WAS ACCUMULATED.

FERRYMAN.—STEAMBOAT OWNER.—RUNS A GREAT COMMERCIAL FLEET.—THE FIRST AND GREATEST OF RAILROAD KINGS.—THE HARLEM "CORNER."—REORGANIZATION OF N. Y. CENTRAL.—HOW HE MILKED HIS CO-SPECULATORS.—HIS FORTUNE.—ITS VAST INCREASE BY WM. H.

The most conspicuous man connected with Wall Street in my early days of speculation was "Commodore" Vanderbilt. Without going minutely into the early exploits of the man, it will be sufficient, for the purposes of this narrative, that I trace his start in life in connection with a row-boat of which he was Captain, plying between Staten Island, Governor's Island, and New York, in which he himself did the rowing. This enterprise, in course of time, grew into one with boats propelled by steam, instead of manual labor. During his progress as ferryman he became proprietor of a hotel at New Brunswick, New Jersey. This side issue did not prove very lucrative, perhaps, because the Commodore, with all his versatile ability, did not possess the special talents required to keep a hotel. The hotel still exists, and is situated near the railroad station, and is now, as it was then, merely a railroad tavern. The first vivid recollection of the Commodore in Wall Street "dickering" was in connection with the Nicaragua Transit Company, the capital of which was over $4,000,000. He became President of the Company, and soon afterward the head and front of the whole enterprise. The Directors and stockholders, and in fact every one else connected with the Company, were soon crushed into nonentities. When their complete subjection was obtained, the Commodore loomed up into gigantic dimensions, and, as he expanded, the Nicaragua Company became small by degrees and beautifully less in inverse proportion. Eventually the greatly depressed stockholders, like the worm when trodden under foot, turned and showed resentment. The case came into Court and was the subject of ordinary investigation, but I never heard of the Company recovering anything. I presume their claims were relegated to the profit and loss account in perpetuity.

After this, the Commodore started a line of steamers in opposition to the fleet of Pacific Mail, and kept his boats running until he was bought off. About this time an event happened which has preserved for posterity a good story, highly characteristic of the Commodore. His son-in-law, James M. Cross, had conceived the idea of embarking in the wholesale leather business in the "Swamp." He had been talked into it by an experienced man who was to be his partner. A store was secured, and everything put under way for the start, with the exception of the capital, which Mr. Cross had agreed to contribute against the experience of his partner. The amount was to be $50,000. Mr. Cross, knowing that the Commodore had at this time become rich and prosperous, felt satisfied that it was only necessary to make application to his enterprising father-in-law for the amount required. Thereupon, with the confidence begotten of implicit trust, he approached the Commodore for this temporary accommodation, giving him a full description of the nature of the business. After listening attentively to the statement of his esteemed son-in-law, the Commodore said in reply: "Now, James, if I let you have this $50,000 to put in the leather business, how much do you think you will be able to make for your share out of the profits?" Mr. Cross thought the best position to take with a rigid business man like his father-in-law was to be prudently conservative in his expectations, and to keep all his Colonel Seller prospects in the background. After a few moments reflection he replied: "I believe I am almost certain to make $5,000 a year." The Commodore promptly responded: "James, as I can do better than that myself in handling $50,000, I will give you $5,000 a year hereafter, and you may consider yourself in my employ at that salary." There was no way for James to wriggle out of it, and he accepted the situation with apparent good grace, whatever his internal emotions may have been at the time. The Commodore forthwith dispatched Mr. Cross to San Francisco to manage his steamboat business there. He soon discovered, however, that James was hardly aggressive enough for the go-ahead fellows on the gold coast, and he was recalled. After looking around some time for a man possessing the necessary requirements to be placed in successful competition with the adventurous spirits of the Pacific Slope, his search was rewarded by an introduction to Commodore C. K. Garrison, then in command of a Mississippi steamboat. Garrison had established his reputation for being the best euchre player on the river, and for much besides which that term implies. He was brave and fearless—in fact, in some respects, a Jim Bludso of real life, with the self-sacrificing qualities of that hero largely discounted, or perhaps entirely left out. It required men of mettle in those days to run a steamboat on the Father of Waters, when the greater portion of the passengers belonged to the gambling fraternity, and were all experts with the bowie knife and the ready revolver.

The Commodore had an interview with Garrison, which resulted in an engagement, and he was sent to San Francisco as the Commodore's agent. It was soon found that he was the man for the Wild West, and he was not slow to appreciate his own value and importance to the increasing fortunes of his employer. He struck very often for higher

wages, and was always able to command his price. He rose, from one advance to another, until his salary at that day had reached the marvellous figure of $60,000 a year. Numerous stories of Garrison's fabulous prosperity on the Pacific Coast reached this city and the ears of the Commodore, and his fame began to penetrate farther than the name of the latter had ever been heard. These accounts had their effect on a mind so naturally envious as that of the Commodore. He began to realize the humiliating fact that, instead of Garrison being in his employ, the former captain of the Mississippi steamboat had him in tow, and was everywhere regarded as the Boss, while Vanderbilt was simply supposed to be his Eastern agent. This brought matters to the point where patience ceased to be a virtue, and the connection was severed. Soon after this the Commodore sold out to the Pacific Mail Company, which again became a monopoly, and as the fight had been a losing one to him, he was obliged to find other waters for his boats.

Since his advent with a common row boat on the waters of our own handsome bay, thence through the gradations of ferry boats and steamboats, nothing but unremitting success had attended his ventures, until his unequal struggle in competition with Pacific Mail. He appeared to have met his Trafalgar when he encountered that fleet. His dissociation with Garrison seemed for a time to forebode disaster. He gathered himself up temporarily again, but never took to the waters so kindly afterwards. He began to feel that his financial destiny was verging towards a firmer foundation. His last boat was the famous steamship Vanderbilt, which was recognized at the time as one of the finest ships to be found on any sea. He made a present of her to the Government during our great National struggle, or according to another account, he lent her, and the Government kept her. The Commodore at one time had a fleet of sixty ships.

The Commodore became convinced that the growing prospects of railroads pointed to greater facilities for transportation in the future, and also a more profitable investment than those watery regions which had hitherto appeared to be his natural element. He promptly resolved to turn his back on the domain of Neptune, and to devote his great energies to enterprises on land. He saw there was comparatively little room for development in water traffic, while in the railroad business the field was practically unlimited.

He then commenced to buy up Harlem Railroad stock, so as to obtain control of that road, and in the operation got up the celebrated Harlem "corner." Application had been made to the Legislature for some advantages in connection with the road, which were refused for reasons best known to leading members of that body. In the meantime Harlem stock had been knocked down to a very low figure. The Commodore remained in ambush, and was secretly purchasing it. He then went to the Legislature to get his bill passed. Most of the members of the Legislature thought they had got the "deadwood" on the Commodore, and enlisted a large number of their friends in the enterprise. They

attempted “to work the Commodore for all he was worth,” and for a time appeared anxious to pass the measure required. On the strength of this anticipated action on the part of the Legislature the stock advanced, when the members sold “short” and failed to legislate. The stock naturally went down, and Vanderbilt bought it up. The collapse anticipated by the Legislature did not take place, and, instead of that, the Commodore got a “corner” in the stock, and the members of the Legislature were the parties mulcted. They had, therefore, all to go to the Commodore’s office, and settle up with him on his own terms, and he made arrangements to get his measure in favor of the road through the Legislature as part of the bargain. This transaction is more fully described in another chapter.

His next great enterprise was in connection with the New York Central. Having successfully euchred the legislators in the matter of Harlem, he was encouraged to play a still higher game. As soon as he obtained control of this property, it seemed as if it had been touched by a magic wand, or that famous stone of Midas, contact with which turned everything into gold. Prior to this event the road had been dragged along under the management of Dean Richmond, Samuel Sloan and Henry Keep, without any signs of prosperity; but when Vanderbilt took hold of it there was a sudden change to visible progress and prosperity. It never looked behind afterwards, and both enterprises have enjoyed signal and increasing success ever since, thus illustrating the marvellous capacity of the Commodore for the organization and management of large enterprises. The hydraulic operations of the Commodore with the stock of this property would alone furnish material for a very interesting chapter. Sending it up on one occasion at a bound, between Saturday and Monday, 20 per cent., was a new move in manipulation which caused some of the boldest operators on the Stock Exchange to stand aghast. He kept working the stock up and down, in some such way as Mr. S. V. White now keeps toying with Lackawanna, until he “milked” the street sometimes very dry. He kept the tempting prize of a coming dividend glittering before the eyes of the dazzled imaginations of his friends who were dealing in the stock, but the “milking” process was so ably managed that, when the famous 80 per cent. dividend was actually declared, they had become so poor that they were unable to carry any of the stock, so as to avail themselves of the profits. There was but one man that I know of who reaped any benefit from it, and that was an old friend of the Commodore, who still lives, and who had met with signal reverses in some of the Erie deals at the time Mr. Gould so ably managed that concern. This man had been wiped out in Erie, and his depressed condition awoke a sympathetic cord momentarily in the heart of the Commodore. He gave his friend the tip the day before the dividend was declared, and he found another friend who bought enough of stock to realize $700,000, which was divided between them. This is the solitary exception within my knowledge where the Commodore failed to bag the entire game without “saying turkey once” to any person connected with the deal.

The life of the Commodore affords singular scope for reflection on the immense possibility of a great business capacity to amass a huge fortune in a few years, especially in this country. The Commodore and his son William H., in a little more than half a century, accumulated the largest private fortune in the world, excepting the aggregate wealth of all the Rothschilds combined, which has been the result of the most expert financiering in all the capitals of Europe through several generations, with all the resources of the greatest monarchs on the earth to back their various enterprises. With all these advantages in favor of the Rothschilds, the Vanderbilt fortune amounts to two-thirds of the sum total of theirs. The result is certainly astounding when submitted to a test of the highest standard of comparison that can be found anywhere on this globe. But, wonderful as the success of the Commodore was in its rapid gradations, from the possession of a rowboat on our bay to that of a fleet of sixty-six steamboats that brought mercantile argosies from all parts of the world, and in later years his great railroad acquisitions, yet the success of his son is more marvellous still.

In seventy years the Commodore arose from nothing financially to be the proud possessor of $90,000,000. Wm. H. obtained $75,000,000 of that and nearly trebled it in a tenth part of the time. He made three times as much in seven years as his father made in seventy, or he made as much on an average every two and one-half years as his father had done during the three score and ten of his active business and speculative career. If any person having the necessary amount of temerity had ever ventured to make such a prediction as this in the presence of the old Commodore, what a natural burn idiot he would have been regarded by that grand old man. If the spirits of the departed ever visited the glimpses of the moon in these days, what a profound sense of humiliation that of old Vanderbilt must feel, as it makes its nightly rounds through those spacious marble corridors in Fifth avenue, or, perched on the dome of the Grand Central Depot, it contemplates the mighty development and expansion of its earthly designs, now extended far beyond the limits of what its highest ambition had dared to foreshadow.

Some people may argue that it required greater ability to acquire these first $90,000,000 than the present sum total of the wealth of the Vanderbilts. Those who argue thus, however, have no precedent to suggest their position. An instance of such prosperity on so large a scale in so short a time has never occurred in the history of financiering. The accumulations in all the wealthy families that I know of have been comparatively slow, and the history of the family of European millionaires shows a similar principle of gradation, except, indeed, that the gradation in the majority of instances has gone backwards. Very few wealthy men, with the exception of the Rothschilds, the Astors and a few others, have had any children capable of increasing their wealth, except where it was almost impossible to do otherwise under the law of primogeniture. In this country, therefore, where the law of distribution has full scope, Wm. H. Vanderbilt, who had to that time been regarded as a man of very moderate

capacity, proved himself to be the ablest financier of which there is any record either in ancient or modern history.

Jay Gould, with all the resources of science at his disposal, and all the talent that money could command, with newspapers, politicians, lawyers, judges, and courts at his will, with as good a start, financially dating from 1878, as Wm. H. Vanderbilt had, has been left far behind in the race for wealth, and for the highest prize ever gained by one man in any nation. It has been truly said that a fool can make money, but it takes a wise man to keep it. Wm. H. Vanderbilt's financial wisdom, as well as his ability, was signally displayed in keeping this great fortune intact, besides adding fully three times as much more to it; and it proves that his father made no mistake in selecting him to hand his name and fortune down to posterity. This immense pile of "filthy lucre," however, in spite of all the credit that is justly due to its late manager, has had one serious drawback from a public standpoint. In fact, the very announcement of this mammoth fortune in the newspapers, at the time of Mr. Wm. H. Vanderbilt's death, had a most demoralizing effect upon a large number of the wealthy portion of the community, who began to feel that they were nonentities in comparison. In making this statement I absolve the Vanderbilt family from any blame. Every man in this great Republic has the privilege of walking in the footsteps of the two great Vanderbilts if he only has the ability; but it would not be wisdom for a large number of men to attempt it. They would be pretty certain to "get left."

The story of the distribution of the Vanderbilt wealth, however, has brought discontent to many a home where happiness reigned before. It could hardly be otherwise, constituted as human nature is, and especially human nature in our highly strung commercial society, where the spirit of ambition is always strenuously aiming at higher flights. People who heretofore had considered themselves rich, and socially important, with a million or so to draw upon, felt that they were mere ciphers in the scale of wealth; they seemed to themselves to be financially blighted, and miserably poor in contrast with the colossal magnitude of the Vanderbilt possessions as exhibited in the Surrogate's Court. The plain, cold, prosy figures brought out there read like a romance, or the story of Sinbad the Sailor and the Valley of Diamonds. But it was all stern reality. This is why the feelings which suffer from this contrast are so deeply pathetic. It is a reality, and a stern reality, that can hardly be imitated or duplicated by any other two men in this generation. The thing is possible, but just about as probable as it was for every private soldier of Napoleon the Great, who each had a Marshal's baton in his knapsack, to become a Marshal. "Every blacksmith," says the Rev. Robert Collyer, "might become a preacher, but it would be a great public calamity if it should happen to that extent." The bare outlines of the Vanderbilt wills, which have made such a deep impression on the community at large, will be found in another part of this book. I think they will afford very interesting reading for generations yet unborn.

Wm H Vanderbilt

W H Vanderbilt

CHAPTER XXXV.

WILLIAM H. VANDERBILT.

A Builder Instead of a Destroyer of Public Values.—His Respect for Public Opinion on the Subject of Monopolies.—His First Experience in Railroad Management.—How he Improved the Harlem Railroad Property.—His Great Executive Power Manifested in Every Stage of Advance Until he Becomes President of the Vanderbilt Consolidated System.—An Indefatigable Worker.—His Habit of Scrutinizing Every Detail.—His Prudent Action in the Great Strike of 1877, and its Good Results.—Settled all Misunderstandings by Peace and Arbitration.—Makes Princely Presents to his Sisters.—The Singular Gratitude of a Brother-in-Law.—How he Compromises by a Gift of a Million with Young Corneel.—Gladstone's Idea of the Vanderbilt Fortune.—Interview of Chauncey M. Depew with the G. O. M. on the Subject.—The Great Vanderbilt Mansion and the Celebrated Ball.—The Immense Picture Gallery.—Mr. Vanderbilt Visits Some of the Famous Artists.—His Love of Fast Horses.—A Patron of Public Institutions.—His Gift to the Waiter Students.—While Sensitive to Public Opinion, has no Fear of Threats or Blackmailers.-"The Public be Damned."—Explanation of the Rash Expression.—The Purchase of "Nickel Plate."—His Declining Health and Last Days.—His Will and Wise Method of Distributing 200 Millions.—Effects of this Colossal Fortune on Public Sentiment.

In treating of the family in the order of descent, I shall now make a brief survey of the life of William H. Vanderbilt, especially in its relation to Wall Street affairs and the management of his great railroad system, the two being closely connected. William H. Vanderbilt was not much of a speculator in the Wall Street sense of the term. He was more of an investor than a speculator, and his investments had always a healthy effect upon the market. Unlike Woerishoffer and others of that ilk, he built up instead of pulling down values, but was at the same time careful to avoid the error of inflation. He paid due deference to public opinion also, in striving to allay its alarm in regard to the dangerous overgrowth of monopolies. A grand illustration of this was seen in the sale of the large block of New York Central. His first experience in railroad matters was in connection with the Staten Island Railroad, thirteen miles in length. The road had been mismanaged and was deeply in debt, and became bankrupt. As he and his father had considerable interest in the road William H. was appointed receiver. It seems this was done secretly at the suggestion of the Commodore, who wanted to discover by this experiment if his son had any capacity for railroad management. The receivership of the

Staten Island road was crowned with signal success. In two years the entire indebtedness of the road was paid, and the stock, which had been worthless, rose to 175. William H. Vanderbilt was then elected President of the road. It was at this time, it is said, that the Commodore began to correct his judgment regarding the "executive ability of William H.," and the latter relaxed no effort to please his exacting father in everything, taking all his abuse without complaint or anger. After the Commodore secured control of the Harlem road, which was his first great railroad venture, he made William H. Vice-President. As a co-worker with his father the latter further demonstrated his capacity for railroad management, and Harlem stock, which had been down to nearly nothing, in a few years became one of the most valuable railroad properties in the country. So, it is a fact, although not generally known, that William H. Vanderbilt had proved himself to be a competent railroad manager before his eminent father had fairly begun that line of business. It was almost entirely owing to his individual exertions and sound judgment that, in a few years, the Harlem road was double-tracked, and such other improvements made as sent the stock from 8 or 9 to above par. The Commodore was so highly pleased and agreeably surprised with his son's management of the Harlem road that he made him Vice-President of the Hudson River Railroad also, and at a later date associated him in the same capacity with the management of the important consolidation of New York Central & Hudson River. The great executive power of William H. was manifested in every successive movement which his father directed, and unparalleled prosperity was the result in every instance. After William H. was fully installed in the Vice-Presidency of the consolidated system of the Vanderbilt railroads he became an indefatigable worker, taxing his physical and mental powers to their utmost capacity, and it was doubtless this habit of hard work, persisted in for many years, that resulted in so sudden and comparatively premature death for a member of a family famous for its longevity throughout several generations. He insisted on making himself familiar with the smallest details of every department, and examined everything personally. He carefully scrutinized every bill, check and voucher connected with the financial department of the immense railroad system, and inspected every engine belonging to the numerous trains of the roads. In addition to this general supervision of everything that pertained to the railroads, he was in the habit of going over a large amount of correspondence which the majority of other men not possessing the hundredth part of his wealth hand over to their clerks, and he answered a great number of letters with his own hand which financiers of comparatively moderate means are in the habit of dictating to their stenographers. When his father died, at the age of 82, in January, 1887, William H. Vanderbilt, then 56 years of age, found himself the happy possessor of a fortune variously estimated at from 75 to 90 million dollars. The remainder of the Commodore's bequests amounted to 15 millions.

After the death of his father the executive powers of Wm. H. Vanderbilt, in the management of the vast railroad interests bequeathed to him, were called into active

play. The great strike of 1877 among the railroad employes threatened to paralyze business all over the country, and came pretty near causing a social revolution. In this emergency a cool head and prudent judgment were valuable attributes to a railroad manager. Mr. Vanderbilt proved that he possessed both in more than an ordinary degree. Just prior to encountering the knotty problem of the strike he had been highly instrumental in bringing about suspension of hostilities in the freight war, and the course which he advised led to an arrangement that produced harmony among the trunk lines for a considerable period. As a consequence of the rate war the railroad companies were obliged to cut down the wages of their employes, and this was the chief element in causing the strike. There were 12,000 men in the employ of the New York Central and Harlem. Their wages had been reduced ten per cent. and they had threatened to annihilate the Grand Central Depot. Instead of making application to have the militia called out, as had been done in Pennsylvania, Mr. Vanderbilt—although a man possessed of far more than ordinary courage—with keen foresight proposed a kindly compromise with his employes. He telegraphed from Saratoga to his head officials an order to distribute $100,000 among his striking employes and promising them a restoration of the ten per cent. reduction as soon as business improved to a point justifying such an advance. This prompt and prudent action had the desired effect, and the consequence was that while there was a small insurrection in Pittsburgh, and bloody war to the knife, at great cost to Allegheny County, calmness reigned in the prominent railroad circles of New York, and the taxpayers escaped the burden that might otherwise have been put upon their shoulders, and the demoralizing effects of violence and bloodshed were prevented. Over 11,500 of the 12,000 men returned to work, thus showing their gratitude to Mr. Vanderbilt and faith in his promise, which was afterwards duly fulfilled. The policy of Wm. H., in the management of his great railroad system, unlike that of his father, was entirely pacific in its character. He was disposed to settle all misunderstandings by reason and arbitration, and had no inclination for fighting and conquest, after the manner of the Commodore. Although a very close calculator in business matters, a habit to which he adhered even to the precision of striking out superfluous items which should not have been charged in his lunch bill, Mr. Vanderbilt was in many respects generous to a fault. He compromised the suit with his brother, “Young Corneel,” allowing him the interest on $1,000,000, whereas his father had only left him the interest on $200,000, with a forfeiture clause in the event of “Corneel” contesting the will. Wm. H. also made a present of $500,000 in United States bonds to each of his sisters, out of his own private fortune. A good story is related in connection with the distribution of this handsome gift. Mr. Vanderbilt, it is said, went around one evening in his carriage, taking the bonds with him and dispensing them to the fortunate recipients from his own hands. One of his brothers-in-law having observed by the evening papers that the bond market had declined a point or two on that day, said, “William, these bonds fall $150 short of the $500,000, according to the closing prices of this day’s market.” “All right,” replied Mr. Vanderbilt, with assumed gravity, “I will

give you a check for the balance," and he wrote and signed it on the spot. It is related that another brother-in-law followed him to the door, and said, "If there is to be anything more in this line I hope we shall not be forgotten." It is said that these remarkable instances of ingratitude, instead of irritating him, as they would have in the case of an ordinary individual, only served to arouse his risible faculties and that he regarded the exhibitions of human weakness as a good joke.

One of the greatest works of Mr. Vanderbilt's life was the building of the beautiful palace on Fifth avenue, between Fifty-first and Fifty-second streets, which he adorned extensively with paintings selected from the great masterpieces of the most renowned artists of the world.

One reason assigned for his disinclination to speculate was that he regarded the property left by his father in the light of a sacred trust, and while he considered it a filial duty to look after its increase and accumulation, he was careful not to do anything that might risk its dissipation.

Mr. Chauncey Depew, who succeeded to the presidency of the New York Central & Hudson River Railroad Company, was upon one occasion, while visiting in London, a guest at a dinner given to the Hon. Wm. E. Gladstone, then Premier of England, and was honored by a seat on the left of Mr. Gladstone, with whom he discussed the differences between American and English railroad and financial management. In the course of conversation Mr. Gladstone said, "I understand you have a man in your country who is worth £20,000,000 or $100,000,000, and it is all in property which he can convert at will into cash. The Government ought to seize his property and take it away from him, as it is too dangerous a power for any one man to have. Supposing he should convert his property into money and lock it up, it would make a panic in America which would extend to this country and every other part of the world, and be a great injury to a large number of innocent people." Mr. Depew admitted that the gentleman referred to—who was Mr. Vanderbilt—had fully the amount of money named and more, and in his usual suave and conclusive way, replied, "But you have, Mr. Gladstone, a man in England who has equally as large a fortune."

Mr. Gladstone said, "I suppose you mean the Duke of Westminster. The Duke of Westminster's property is not as large as that. I know all about his property and have kept pace with it for many years past. The Duke's property is worth about £10,000,000 or $50,000,000, but it is not in securities which can be turned into ready cash and thereby absorb the current money of the country, so that he can make any dangerous use of it, for it is merely an hereditary right, the enjoyment of it that he possesses. It is inalienable, and it is so with all great fortunes in this country, and thus, I think, we are better protected here in England than you are in America." "Ah, but like you in England, we in America do not consider a fortune dangerous," was the ready response.

The best proof of Wm. H. Vanderbilt's great ability as a financier is the marvellous increase in the value of the estate which he inherited from his father during the seven years which he had the use and control of it, and in which he did more than treble the value at which it was estimated on the death of the Commodore.

The weakest financial operation on his part, known to the public, was the purchase of the Nickel Plate Road, as regards the time of the transaction, in which he was rather premature. It is now positively known that if he had waited about a month longer the road would have gone into bankruptcy and have fallen into his lap on his own terms. In that case the West Shore would have followed suit.

In such an event I believe Mr. Vanderbilt would have been saved an immense amount of money, remorse and mental strain, which, no doubt, aggravated the malady which was the cause of his sudden death. He realized his error when it was too late, and it was a source of great mental anxiety to him in his latter days. He was very sensitive, and nothing afforded him more gratification than a clean and successful transaction, which drew forth public approval, and in the purchase of Nickel Plate he was caught napping. It was a mistake for which the Commodore, had he been alive, could never have forgiven him.

The syndicate that built the road had solely for their object to land it upon either Gould or Vanderbilt, and it was upon its last legs at the time it made the transfer to Mr. Vanderbilt. The syndicate laid a trap for him. It had been coquetting with Mr. Gould in reference to the purchase, and had made it to appear, through the press and other channels of plausible rumors, that he had an eye upon the road. Mr. Gould had occasion to go West about this time and the syndicate invited him to make his homeward trip over the road, taking particular pains that all these rumors and reports should reach the ears of Mr. Vanderbilt, who was impressed with the idea that Mr. Gould's trip was one of inspection, with the intention of buying the road if he did not anticipate him. This was just what the syndicate desired, and the successful consummation of their financial plot.

The purchase was made solely in the interest of Lake Shore, as it was a parallel road, and the road was afterwards turned over to the Lake Shore Company.

The conception of the scheme was to build the road at a nominal price and sell it to Mr. Vanderbilt as high as possible, and this was duly accomplished. I am quite satisfied that if this road had not been sold at this particular time it would then have gone into the hands of a receiver, while a number of the syndicate, who had built the road, would have failed, and a general crash would have ensued. This Mr. Vanderbilt's purchase averted for the time, and served to prolong the period of its coming until May, 1884.

For a few years prior to his death Mr. Vanderbilt was in a weak condition. This cause of mental annoyance came upon him at a time when he was not robust enough to bear it and had not sufficient strength to throw it off. He had been seized with a slight paralytic

stroke, the only visible effect of which was a twitching of the lower lip. Shortly after this he lost the entire sight of one eye, about a year before his death. This was not generally known to the public, however, and it was the principal cause of his giving up his favorite pastime of driving, which was one of his greatest pleasures and the chief source of mental diversion from the heavy weight of his worldly cares and responsibilities.

The day after Mr. Vanderbilt's death I sent the following circular to my customers:

"As Mr. Wm. H. Vanderbilt was a very important factor in Wall Street business, I feel it incumbent upon me to issue a letter to my friends and clients on the subject of his decease, especially as the loss to the Street is a most important one, and certainly will be felt for some time to come. Mr. Vanderbilt undoubtedly, at the time of his death, was the largest holder of American securities in the world, and had innumerable followers, who were also vast holders of similar properties as those he controlled, who acted more or less in concert with him, and who were at his beck and call. When he told them to buy or sell they would do so. These parties have now lost a valuable friend and counsellor, and a leader in whom they believed implicitly. In such quarters, for some time to come at least, more or less of a dazed condition will prevail, precisely, the same as would exist in an army in the event of the general in command having been killed. Mr. Vanderbilt was a bolder and larger operator than his father ever dared to be, as he spread out over more interests. The market has lost an able leader, who was usually a builder-up of the interests of the entire country, and unlike many other large operators, who, at times, are on that side, but quite as frequently on the wrecking side. It will be a long while before so conspicuous and valiant a leader as Mr. Wm. H. Vanderbilt will be forthcoming, and the market will, for a protracted period, have cause to mourn its great loss. It is, indeed, fortunate that Mr. Vanderbilt lived long enough to see the completion of the consolidation of the West Shore and New York Central roads; since both roads are under the able direction of Mr. Depew, they are now secure from future harm; but the same cannot be said of the South Pennsylvania enterprise, as negotiations remain in connection therewith unfinished, which will suffer by Mr. Vanderbilt's death, and it will be found difficult, I fear, for any other man to knit the discordant elements together that at present exist in that quarter. There is enough in this for some ground of apprehension, and this matter may, therefore, disturb the harmony of the great trunk lines, as this speck of trouble may yet prove a cancer in the body of the stock market. As it is capable of infusing its poison elsewhere, beyond where it is at present located, it is certain that there will be required skillful surgery to prevent inoculation therefrom.

"The stock market started off to-day as if held by concerted action, and the appearances indicating that such attitude might prevail to bridge over the Vanderbilt shock. While prices had a moderate break, it was scarcely adequate as a fitting tribute of respect to Mr. Vanderbilt's memory, as the great General of the Army of Finance of this country. It was unmistakable, however, that the large selling was mostly of long stock, coming from numerous frightened holders who were shaken out, and it was very evident that the bears were more conspicuous as buyers than as sellers, to cover their short sales made during the previous several days. I do not think that the market had, considering the power it has lost in the death of Mr. Vanderbilt, as much of a break as should have occurred; still, it must be remembered, that the dealings have been so enormous during the past month, which represent the immense number of operators now interested in the market, that it has taken from it a character which previously existed as a one man market, and therefore it is owing to this fact that the removal of any one man, or a half dozen of them, by death or otherwise, could not bring about, at the present time, any very wide and lasting disaster to Wall Street. This market, as I have repeatedly stated, can fairly be now considered the market for the world, and beyond the permanent reach of any one man doing it any lasting harm. As Mr. Vanderbilt invented pegging stocks, and stood his ground when taken better than any one that will survive him in that plan of strategic movement, he will, in that particular alone, be sorrowfully missed. I am of the opinion, now that Mr. Vanderbilt is no more, that Mr. Gould's plan of leaving the Street will undergo a

modification, at least by his remaining for some time longer at the helm. This will prove, in such an event, an important factor in the future, especially as the bulls of the Street have for at least a year past recognized Mr. Gould in the light of a benefactor. To them he has proved a brave and able leader, and the field is now clear for him to become commander-in-chief of all the forces, without any one to dispute his right thereto. This should be enough to fire his ambition and keep him in our midst, and probably will."

Among the popular and erroneous impressions entertained regarding Wm. H. Vanderbilt, the one that he was no judge of pictures seemed to have taken deep root in the public mind, except among the few who knew him intimately, and the celebrated artists whom he visited and from whom he purchased many of the works of art which adorn his great gallery in Fifth avenue, now in charge of his youngest son, George. That Mr. Vanderbilt had an intimate knowledge and correct appreciation of true art has been amply proved by the highest authority. I am well aware that some years ago this statement would have been ridiculed by the majority of the newspapers; but Mr. Vanderbilt never bought a picture that he did not fully understand in his own simple, unaffected method of judgment. He may not have been capable of the highest flights of fancy, necessary to follow the poetic imagination of the artist to its extreme height, but he was equal to the task of grasping all the material essentials from a common-sense point of view.

So far from making any pretence of being a lover of art, he was in the habit of saying, when a handsome painting was shown him, "It may be very fine, but until I can appreciate its beauty I shall not buy it."

Apropos of his modesty and judgment, in regard to the fidelity to nature of a picture, a circumstance is related of his visit to Boucheron, a French picture dealer, where he wanted to see a painting by Troyon, with the object of buying it. A yoke of oxen turning from the plough to leave the field is the subject. Experts in art had taken exception to the manner in which the cattle left the field. When Mr. Vanderbilt's opinion was asked, he said, "I don't know as much about the quality of the picture as I do about the truth of the actions of the cattle. I have seen them act like that hundreds of times." The artists present submitted to his judgment, as he knew more about the oxen than they did. When in France he visited the celebrated Rosa Bonheur, at Fontainebleau, who was about his own age, and gave her an order for two pictures, which she painted to his entire satisfaction. He had his portrait painted by the celebrated Meissonier, to whom he paid nearly $200,000 for seven pictures. He purchased in Germany this artist's masterpiece, "The Information—General Desaix and the Captured Peasant," for $40,000, giving Meissonier, who had not seen it for many years, a great surprise, and filling the heart of the enthusiastic artist with unbounded gratitude for rescuing the picture from Germany and bringing it to America.

Mr. Vanderbilt's taste for music, especially operatic music, was refined, and he had a keen sense of the humorous.

Neither Mr. Vanderbilt nor any of his family ever displayed any anxiety to hobnob with those people who are known as the leaders of society, although possessed of more wealth than the greatest of them. The celebrated fancy dress ball, given by Mrs. Wm. K. Vanderbilt, at the suggestion of Lady Mandeville, in March, 1883, seemed to have the effect of levelling up among the social ranks of upper-tendom, and placing the Vanderbilts at the top of the heap, in what is recognized as good society in New York. So far as cost, richness of costume and newspaper celebrity were concerned, that ball had, perhaps, no equal in history. It may not have been quite so expensive as the feast of Alexander the Great at Babylon, some of the entertainments of Cleopatra to Augustus and Mark Antony, or a few of the magnificent banquets of Louis XIV., but when viewed from every essential standpoint, and taking into account our advanced civilization, I have no hesitation in saying that the Vanderbilt ball was superior to any of those grand historic displays of festivity and amusement referred to, and more especially as the pleasure was not cloyed with any excesses like those prevalent with the ancient nobility of the old world and frequently exhibited among the modern "salt of the earth" in the mother country. The ball had the effect of drawing the Astors and the Vanderbilts into social union. The *entente cordiale* was brought about in this way, as the story goes:

Several weeks before the ball Miss Carrie Astor, daughter of Mrs. William Astor, organized a fancy dress quadrille, to be danced at the ball. Mrs. Vanderbilt, it seems, heard of this and said, in the hearing of

some friends, that she was sorry Miss Astor was putting herself to so much trouble, as she could not invite her to the ball, for the reason that Mrs. Astor had never called on her. This was carried to Mrs. Astor, who immediately unbent her stateliness, called on Mrs. Vanderbilt, and in a very ladylike manner made the *amende honorable* for her former neglect. So the Astors were cordially invited to the ball, where Miss Astor presented a superb appearance with her well trained quadrille.

All Mr. Vanderbilt's other attachments vanished in presence of his love for his horses. When any company, of which he formed a part, began to talk horse his tongue was immediately loosened and he became eloquent. Although generally a man of few words and diffident as a talker, he could throw the eloquence of Chauncey M. Depew in the shade when the subject was horse. He not alone admired the speed of his horses; he seemed possessed of the fondness of an Arabian for them, and, like old John Harper of Kentucky, would probably have slept with them only through fear of the newspapers criticising his eccentricity. It was he who introduced the custom of fast driving teams, first with Small Hopes, purchased by his father, and Lady Mac, purchased by himself. With this team, in a top road wagon, he made the then remarkable time of 2.23¼.

A host of rivals immediately sprang up, of whom Mr. Frank Work was the most formidable. Mr. Vanderbilt procured faster teams, and with Aldine and Early Rose, under the spur of competition, reduced the time to 2.16½. Mr. Work, however, was a daring and persistent rival, and soon beat this record, although only by a fraction of a minute, which in trotting or racing counts just the same as if it were an hour. Mr. Vanderbilt then purchased the famous Maud S. in Kentucky for $21,000, and with her and Aldine made the mile in Fleetwood Park in June, 1883, in 2.15½.

He afterwards reduced this time to 2.08¾, leaving Mr. Work and all other rivals hopelessly in the distance. Eventually he sold Maud S. to Mr. Robert Bonner for the comparatively small amount of $40,000, on condition that she should never be trotted for money. Other men would have given $100,000 for her without this condition.

On the 12th of August, this year, Murphy, the famous jockey, drove Maud S. in single harness, at Tarrytown, a mile in 2.10½, and declared he did not push her. He said he was confident he could make her do the mile in 2.06 or 2.07 if Mr. Bonner would permit him, thus smashing all trotting records.

It has been said by experts in driving that Mr. Vanderbilt was the best double-team driver in America, either amateur or professional.

Mr. Vanderbilt's bequests were liberal and numerous. He added $300,000 to the million which his father gave, through the wife of the Commodore and Dr. Deems, to the Nashville University. He gave half a million to the College of Physicians and Surgeons, and his sister, Mrs. Sloane, added a quarter of a million to this generous donation. It cost him over $100,000 to remove Cleopatra's Needle from Egypt to Central Park. He offered to cancel the $150,000 check which he gave to General Grant to relieve him from the Ward-Fish embarrassment, and his munificent gift to the waiter students in the White Mountains will long be remembered.

Although Mr. Vanderbilt was very courageous, as was proved by the fact that no matter how many threatening letters he may have received—and their name was legion—from cranks, socialists and others, he never made any change in his programme or his routine of business for the day, and never absented himself from the place where he was expected at any particular hour on account of such letters. Yet he was peculiarly sensitive to public opinion, and sought in various ways to correct its hasty judgment in regard to himself and his enormous wealth.

It was this sensitive feeling, together with his profound respect for popular opinion against monopolies, which induced him to sell a controlling interest, 300,000 shares out of 400,000, at from 120 to 130, ten points below the market price, of New York Central stock in 1879 to a syndicate, the chief members of which were Drexel, Morgan & Co., Morton, Bliss & Co., August Belmont & Co., Winslow, Lanier & Co., L. Von Hoffman & Co, Cyrus W. Field, Edwin D. Morgan, Russell Sage, Jay Gould and J. S. Morgan & Co. of London. The amount paid for the stock was $35,000,000. As the syndicate largely

represented the Wabash system, the stock of that property, as well as New York Central, had an important advance.

The reasons assigned for this stupendous and unprecedented stock transaction are briefly condensed by Mr. Chauncey M. Depew as follows: "Mr. Vanderbilt, because of assaults made upon him in the Legislature and in the newspapers, came to the conclusion that it was a mistake for one individual to own a controlling interest in a great corporation like the New York Central, and also a mistake to have so many eggs in one basket, and he thought it would be better for himself and better for the company if the ownership were distributed as widely as possible. The syndicate afterwards sold it, and the stock became one of the most widely-distributed of the dividend-paying American securities. There are now about 14,000 stockholders. At the time he sold there were only 3,000."

That hasty expression, "The public be damned," which Mr. Vanderbilt used in an interview with a reporter for a Chicago newspaper, has received wide circulation, various comment and hostile criticism. Although the expression is literally correct, the public at first, and many of them to this day, received a wrong impression in regard to the spirit in which it was applied. It was represented as if Mr. Vanderbilt was a tyrannical monopolist, who defied public opinion. A true and simple relation of the interview is a sufficient answer to this. The subject was the fast mail train to Chicago. Mr. Vanderbilt was thinking of taking this train off, because it did not pay, and did not appear to him therefore to be a necessity, and he did not propose to run trains as a philanthropist. As part of the interview which relates to this point has become so widely historic, I think it will bear reproduction here, literally:

"Why are you going to stop this fast mail train?" asked the reporter.

"Because it doesn't pay," replied Mr. Vanderbilt; "I can't run a train as far as this permanently at a loss."

"But the public find it very convenient and useful. You ought to accommodate them," rejoined the reporter.

"The public," said Mr. Vanderbilt. "How do you know, or how can I know that they want it? If they want it why don't they patronize it and make it pay? That's the only test I have as to whether a thing is wanted or not. Does it pay? If it doesn't pay I suppose it isn't wanted."

"Are you working," persisted the reporter, "for the public or for your stockholders?"

"The public be damned!" exclaimed Mr. Vanderbilt, "I am working for my stockholders. If the public want the train why don't they support it."

This, I think, was a very proper answer from a business standpoint, and the expression, when placed in its real connection in the interview, does not imply any slur upon the public. It simply intimates that he was urging a thing on the public which it did not want and practically refused. The "cuss" word might have been left out, but the crushing reply to the reporter would not have been so emphatic, and that obtrusive representative of public opinion might have gone away unsquelched. As it was, however, he and his editor exhibited considerable ingenuity in making the best misrepresentation possible out of the words of Mr. Vanderbilt, thus giving them a thousand times wider circulation than the journal in which they were first printed, and affording that paper a big advertisement. This is the correct account of that world-renowned expression, "The public be damned!"

The mausoleum at New Dorp, Staten Island, is another outcome of the genius of Wm. H. Vanderbilt. Mr. Richard M. Hunt was the architect. Pursuant to the instructions of Mr. Vanderbilt, it was built without any fancy work, but at the same time on such a grand and substantial scale that it is said there is nothing among the tombs of either European or Oriental royalty to excel it, in solidity of structure and grandeur of design. It is forty feet in height, sixty in breadth and about 150 in depth. It is situated on an eminence commanding the largest prospect of the bay, and one of the finest views all around in the State of New York. The tomb and the twenty-one acres of land, upon the highest part of which it stands, cost nearly half a million dollars, and when the grounds are finished, in the style intended, beautiful roads and walks

made, flower gardens planted with the requisite adornments, the entire expense of the mausoleum and its surroundings will not fall far short of a million dollars.

The precautions taken by the family against resurrectionists is one of the best that has ever been adopted. There is a guard at the tomb night and day. Each of these must put on record his vigilance every fifteen minutes by winding up a clock, which is sent to the office at the Grand Central Depot every morning.

In May, 1883, Mr. Vanderbilt, finding that his railroad duties were too heavy for him, resigned the presidencies of his roads and took a trip to Europe. James H. Rutter was elected President of the Central, and on his death was succeeded by Chauncey M. Depew, the present President, who so ably fills that office. About a year before his death Mr. Vanderbilt gave unmistakable notice of his approaching dissolution when he stopped driving his fast teams, and went out riding with some other person to drive for him. He must have keenly felt his growing weakness when he was obliged to resign the reins which he so fondly desired to hold, and which he had handled with such inimitable skill.

The death of Mr. Vanderbilt was a great surprise, especially to Wall Street, as very few brokers were aware even of his failing health. On the 8th day of December, 1885, he arose early, apparently no worse in health than he had been for a year previous. He went to the studio of J. Q. A. Ward and gave that artist a sitting for the bronze bust ordered by the Trustees of the College of Physicians and Surgeons. Mr. Depew called upon him at one o'clock, but finding that Mr. Robert Garrett, President of the Baltimore & Ohio Railroad Company, had also called to see Mr. Vanderbilt, Mr. Depew waived his opportunity in favor of Mr. Garrett. Mr. Garrett was conversing on his project of getting into New York by way of Staten Island and a bridge over the Arthur Kill. They were in the study. Mr. Vanderbilt sat in his large arm chair and Mr. Garrett sat on a sofa opposite to him. It seems that Mr. Vanderbilt was in perfect harmony with the plans of Mr. Garrett. While he was replying to the remarks of Mr. Garrett the latter observed that his voice began to falter and there was a curious twitching of the muscles about his mouth. Soon he ceased to speak and had a spasm. In a moment he leaned forward and would have fallen on his face on the floor, but Mr. Garrett caught him in his arms, laid him gently on the rug and put a pillow under his head. This was only the work of a few moments, but before it was accomplished the greatest millionaire in America had ceased to breathe. When Dr. McLean, the family physician, arrived he said a blood vessel had burst in the head, and so death, according to the frequently expressed wish of Mr. Vanderbilt, was instantaneous.

On the announcement of Mr. Vanderbilt's death, (which was after Board hours), a panic was predicted in the stock market. A pool was formed of the most wealthy leading operators, with a capital of $12,000,000, to resist such a calamity. It was not required, however. There was a reaction of a few points in the morning following, which was recovered before the close of the market. The stocks of Mr. Vanderbilt's properties, as well as the properties themselves, had been so well distributed that such a disaster could hardly have occurred without a strong outside combination to help it, and the prevalent desire there was to assist speculation in the very opposite direction. The remains of Mr. Vanderbilt were conveyed to New Dorp and deposited in the tomb without any ostentation.

In the chapter on the young Vanderbilts a brief account of the disposition of the mammoth fortune of $200,000,000 is given.

CHAPTER XXXVI.

"YOUNG CORNEEL."

THE ECCENTRICITIES OF CORNELIUS JEREMIAH VANDERBILT, AND HIS MARVELLOUS POWER FOR BORROWING MONEY.—HE EXERCISES WONDERFUL INFLUENCE OVER GREELEY AND COLFAX.—A DINNER AT THE CLUB WITH YOUNG "CORNEEL" AND THE "FAMOUS SMILER."—"CORNEEL TRIES TO MAKE HIMSELF SOLID WITH JAY COOKE.—THE COMMODORE REFUSES TO PAY GREELEY.-"WHO THE DEVIL ASKED YOU?" RETORTED GREELEY.-"CORNEEL'S" MARRIAGE TO A CHARMING AND DEVOTED WOMAN.—HOW SHE SOFTENED THE OBDURATE HEART OF HER FATHER-IN-LAW.

Cornelius J. Vanderbilt, the brother of Wm. H., popularly known by the name of "Young Corneel," is entitled to a place in this book, as he was prominent among the many financial friends I have had, in his own peculiar line.

"Corneel" was eccentric, and was possessed of some astonishing peculiarities that made him a genius in his way. He led a charmed and adventurous life in his own circles.

He had a wonderful facility for getting into scrapes, and "banked" on the Commodore to extricate him therefrom, which the latter did on many occasions. The mere fact, however, that he had such a father, was in itself sufficient, very often, to get him out of his troubles, without any effort on the part of the Commodore in that direction. "Corneel," however, worked this "racket" for all it was worth, and in time it became almost exhausted. Still, he went on making new acquaintances without limit, and to many of them the name of the Commodore was a sufficient guarantee of security for sundry loans, that were promised to be paid on the fulfilment of certain expectations which only existed in the borrower's imagination.

But it was not very safe for "Corneel" to rely upon his father, or to bank upon his credit in any case. If he had depended solely on the paternal security, he would often have found, when in his worst straits, that he had leaned upon a willow cane for support. "Corneel" had a peculiar fascination in his ability to catch the ear of prominent men, who would listen attentively to his tale of woe, and some of them were so thoroughly under the spell of his persuasive powers that they would "fork" out the required amount without hesitation, to relieve his pressing necessities.

It is sad to relate that the money thus sometimes piteously solicited, and really required to pay a board bill or room rent, was often thrown away in the first gambling den that the borrower happened to be passing, while the landlady and the washerwoman would be obliged to extend their bills of credit indefinitely.

Amongst the special friends upon whom he was in the habit of exercising his alluring magnetism were the Hon. Schuyler Colfax and Horace Greeley. Over both of these eminent gentlemen he seemed to have perfect control. So hopelessly were they under the charm of his occult power that they seldom said "no" to any request that he made, especially when he wanted to borrow money. No sorcerer ever had his helpless victims more completely at his mercy, nor had greater power by the touch of his mysterious wand, than "Corneel" had over these and certain other men, when he would entertain them with a list of imaginary wrongs which he had suffered at the hands of his father and brother. In their ears this story never seemed to become stale, though it was the same old story every time, with hardly any attempt at variation. To them and others, over whom he exercised this unaccountable influence, the thing did not seem to become monotonous like other twice-told tales, related by ordinary people.

To the man of average intellect and common business capacity "Corneel" was a shocking "bore" and a victim of morbid melancholia, but these men of genius were won by the impression which he had made upon them, and thoroughly imbued with the deepest sympathy for the wrongs which his strange hallucinations conjured up. Unlike most men who borrow money from friends and don't pay, instead of exhausting his credit by this business delinquency, he made it the basis for increasing it, and it generally seemed to be a potent means of enabling him to borrow more. Hence his obligations to Mr. Greeley were persistently cumulative until they exceeded $50,000.

I have been told by a person familiarly acquainted with him that years after Greeley's death he would sometimes sit in deep meditation, with the tears welling up in his eyes, especially when in a great financial strait, and sighingly say: "When Mr. Greeley died I lost the best friend in the world." Be it said to his credit, however, in spite of all his shortcomings, he exhibited his honesty by paying every cent of the debt, with interest, to Mr. Greeley's daughters. He also paid the greater part of all the other debts which he had contracted under similar circumstances, after making a settlement with Wm. H. and receiving a much larger amount than he had been left by the will of his father, who bequeathed him merely a decent competence for his rank and station in life, without any surplus for the policy shops and faro banks.

One of the qualities possessed by "Corneel" in a remarkable degree, and which enabled him to be so successful a borrower, was his extreme earnestness. He bent his whole energies to the work in hand, and his requests usually met with ready response. If he had put the same energy and intense enthusiasm into legitimate speculation, he would have been as successful as his father or Jay Gould. He must have been an intuitive judge

of character, for he showed that he generally knew his man in advance of making application for sundry little loans. In that respect he was not unlike the famous huntsman who was a dead shot every time.

My first acquaintance with "Corneel" was through one of his special friends, the Hon. Schuyler Colfax, whom he brought to my office for the purpose of having himself introduced by Mr. Colfax. He informed me that he had just then returned from Hartford, Conn., where he had taken his friend, Mr. Colfax, for a week's visit at his house. It can be readily imagined, therefore, that at this time Mr. Colfax had but little control over his own bank account and for a long time afterwards.

I invited both these gentlemen to dinner at the Club that afternoon. Although Mr. Colfax was an extraordinarily good talker, he was left far in the distance and almost silenced by "Corneel." Most of what the latter said, however, had very little in it of a tangible character, and was almost entirely made up of unstinted praise of his friend Colfax. If ever there was a man talked up to the skies, or if the thing were possible, Colfax must have been literally in that elevated position during our dinner.

There was no let-up to the unqualified adulation, yet I must say that there was none of the uninterrupted stream of fulsome flattery fell to the ground. Schuyler took it all in as he did his viands, and as if it were legitimately his due, a proof positive that "Young Corneel" was not mistaken in his man; and a further demonstration of his natural sagacity in striking the man upon whom he could successfully exercise his peculiar charms of persuasion.

When he got tired talking about Mr. Colfax, the object of his next theme was Mr. Greeley, on whom he was profusely prolific.

I met Mr. Greeley frequently afterwards, and told him what a good friend he had in young Cornelius Vanderbilt. "Yes," he said, with a knowing smile, "I think he is a good friend of mine. I have heard of his frequently saying nice things about me. It is a great pity, however," he added significantly, "that he is so frequently short of funds. If he had more money he would be a very good fellow."

It was generally in the way above referred that he would steal a march on Mr. Greeley and impose on his good nature. He would say nice things about him to some one who would quote him to Mr. Greeley, and thus pave the way for an additional loan. In a few days afterward "Corneel" would call on his tried and trusty friend, and never fail to obtain the needed relief, or a large portion of it.

"Corneel" had great tact in utilizing his various advantages for borrowing, and was imbued with a thorough devotion to his object, worthy of a better cause. The day following his first visit to my office, he called again and told me that his friend Colfax had left by the early train for Washington and had urged him to go along, but as he had some matters to attend to he had postponed his departure until the night train.

He said to me, “By-the-bye, you know Jay Cooke very well.”

I said, “Yes.”

Then he replied, “I have some matters to look after in connection with the Treasury Department, and I think he could be of some service to me. Will you be good enough to oblige me with a letter of introduction to him? I may not need it,” he added with a business air of *sang froid*, “but I should like to have it in case of need.”

I wrote him a brief and non-committal introduction, somewhat as follows:

> “This will introduce to you Mr. Cornelius Vanderbilt, Jr., son of the Commodore. I take the liberty of making you acquainted with him through this medium, at his own request.
>
> “Truly yours, HENRY CLEWS.”

There was certainly nothing on the face of this document, except the Commodore’s name, to justify any person in utilizing it as a bill of credit.

Yet the financial genius of “Young Corneel” was equal to the task of an indirect negotiation of this character, and after the lapse of a few days his drafts from Jay Cooke began to pour into my office like April showers. None of them was very large, but when put together they aggregated a pretty fair amount, and were so cumulative in their character that, had I not wired Mr. Cooke to stop the supplies, it is difficult to say what figure the sum total would have reached.

The last time I saw “Young Corneel” was at Long Branch, where he took a drive with me one fine warm afternoon. He spoke feelingly about his wasted life, and concerning the many good friends who had come so often to his rescue, and had got him out of his numerous holes, into which, through misfortune, he had been thrown. He said all there was of life for him was to live long enough to pay up old scores. He had fully determined to do this, and then, he thought, a prolongation of existence would have no further charms for him. It must be said to his credit that he accomplished this work, and then laying himself sadly down, died by his own hand.

Let us, therefore, throw the mantle of charity over that tragic scene in the Glenham Hotel, and hope that his soul may elsewhere have found the rest which in its poor, afflicted body it vainly sought for here.

That portion of the Commodore’s will in which he makes provision for Cornelius J. is thoroughly characteristic of the old man, in its iron-clad provisions. It says: “I direct that $200,000 be set apart, the interest thereof to be applied to the maintenance and support of my son, Cornelius J. Vanderbilt, during his natural life. And I authorize said trustees, in their discretion, instead of themselves making the application of said interest money to his support, to pay over from time to time, to my said son, for his support, such portions as they may deem advisable, or the whole of the interest of said bonds. But no

part of the interest is to be paid to any assignee of my said son, or to any creditor who may seek by legal proceedings to obtain the same; and in case my said son should make any transfer or assignment of is beneficial interest in said bonds or the interest thereof, or encumber the same, or attempt so to do, the said interest of said bonds shall thereupon cease to be applicable to his use, and shall thenceforth, during the residue of his natural life, belong to my residuary legatee. Upon the decease of my said son, Cornelius J., I give and bequeath the last mentioned $200,000 of bonds to my residuary legatee."

Though a portion of this provision is rather whimsical, yet it was ably designed to force "Corneel" to desist from his besetting sin, the gaming table.

If the trustees were permitted to pay him the whole of the interest at whatever period they should choose, it seems harsh that the beneficiary should forfeit it entirely, if he should seek to relieve present and pressing necessities, by borrowing on his future income. It showed that the Commodore, even at the hour of his death, thought that "Corneel" was not fit to be treated otherwise than as a child, and that it was necessary he should be kept under the guardianship of his brother.

This circumstance hurt "Corneel's" feelings greatly, as he imagined himself a bigger man, mentally, than Wm. H. This opinion, however, no other man could conscientiously endorse, except it might have been Greeley or Colfax.

"Corneel," though always exclaiming against the old man's hard-heartedness, had an intense admiration for his father's abilities, and he was as sensitive as a sunflower when any other person would say a word to disparage the Commodore. While railing constantly at the parsimony of his father, he was as devoted a hero-worshipper of the Commodore as Thomas Carlyle ever was of the greatest of his heroes, and he never grew tired talking of his achievements, with the history of which he was thoroughly familiar. He had even a more intense hatred against Gould than his father had, and solemnly believed that Gould and Fisk had, during the manipulation of the Erie "corner," conspired to assassinate the Commodore.

Of course this was one of his many hallucinations, and there was not the least ground for it, but he had got it indelibly on the brain, and he would not tolerate contradiction in that notion any more than in any other opinion which he had got fixed in his morbid mind. He once went into an epileptic fit in the presence of a friend of mine who attempted to reason with him on the improbability of such a man as Gould contemplating murder.

He never forgave his father for having him arrested and incarcerated in Bloomingdale Lunatic Asylum. He had run off to California the time of the gold fever, and shipped as a sailor. He was then in his eighteenth year. When he returned, which was pretty soon, as he had no ability to enter into the terrible mental and physical struggle for wealth on the

gold coast, his father had him arrested. It was soon discovered that he was no lunatic, however eccentric he might be, and he was released, but he took the matter dreadfully to heart, and it had a melancholy and demoralizing effect upon all his future life. He was petulant, and still complaining, and often acted like a crazy man in that the more any of his intimate friends tried to please him he seemed the more dissatisfied; yet it was impossible to get along with him without humoring him, and it was almost next to impossible to humor him. In this way he could work on the minds of the strongest of his friends, so as almost to put them into a fit as bad as one of his own.

Dr. Swazy's patience was often put to a very severe test in his attempt to please this eccentric invalid.

"Corneel" was a miser everywhere except at the gaming table, and would cling to a cent with greater tenacity than ordinary people display in holding on to a ten-dollar bill. But among the gamblers either a ten-dollar bill or a hundred-dollar bill was less valuable in his eyes than a cent in the common transactions of every day life. "Faro" and "keno" had terrific power over him. He has often been known to have had an epileptic fit at the gaming-table, get a doze afterwards which seemed like the sleep of death, so cadaverous did he look on those occasions, and then awake up and go on with the play, whose fascination he appeared utterly powerless to resist.

When it came to the ears of the Commodore that Greeley was lending his son hundreds and sometimes thousands of dollars at a time, he visited the office of the *Tribune*. He rushed without ceremony into the sanctum, where Greeley was busy at his high desk, grinding out a tirade against some political or social abuse, and thus addressed the Sage of Chappaqua: "Greeley, I hear yer lendin' 'Corneel' money." "Yes," said Greeley, eyeing the monarch of steamboat men through his glasses, with an air of philosophic contempt mixed with commiseration; "I have let him have some." "I give you fair warning," replied the Commodore, "that you need not look to me; I won't pay you." "Who the devil asked you?" retorted Greeley. "Have I?"

This closed the interview. The Commodore retraced his steps down the rickety stairs into Spruce street, and Greeley continued to grind out his illegible chirography for the profane printers. There is no record, I believe, that the subject was ever reverted to between them. Soon after the death of Greeley the Commodore sent a check for $10,000 each to his two daughters.

The Commodore was well satisfied with the marriage of young "Corneel" to Miss Williams, of Hartford, Connecticut, and he had hoped that his son would begin then to lead a new life, but he was doomed to disappointment.

There is a good story told about an interview between the Commodore and Mr. Williams prior to the marriage.

Mr. Williams called upon the Commodore at his office in Fourth street, near Broadway, and informed him that his son, Cornelius Jeremiah, had asked his daughter in marriage, and she was willing if the Commodore had no objection to the union.

"Has your daughter plenty of silk dresses?" asked the Commodore, sententiously.

"Well," replied Mr. Williams, showing some sensitiveness at what he at first considered assumption of superiority and purse-pride on the part of the Commodore, "my daughter, as I told you, is not wealthy. She has a few dresses like other young ladies in her station, but her wardrobe is not very extensive nor costly."

"Has your daughter plenty of jewelry?" continued the Commodore, without appearing to take much notice of Mr. Williams' explanation.

"No, sir," replied Mr. Williams, becoming slightly nettled, and showing a laudable pride in opposition to what he considered a slur on account of his moderate means, "I have attempted to explain to you that I am in comparatively humble circumstances, and my daughter cannot afford jewelry."

"The reason I ask you," pursued the Commodore, "is, that if she did possess these articles of value, my son would take them and either pawn or sell them, and throw away the proceeds at the gaming table. So I forewarn you and your daughter that I can't take any responsibility in this matter."

The nuptials were duly consummated, however, in spite of the Commodore's constructive remonstrance.

After the marriage "Corneel" asked his father for some money to build a house. "No, Corneel," he said emphatically, "you have got to show that you can be trusted before I trust you."

His wife made application to her father-in-law with better success, however. He gave her a check for $10,000. In a few months afterward she paid another visit to the Commodore, who received her cordially, but expected she had come for another loan, and he was attempting to work up his courage to the point of refusal; for, strong and almost invincibly obdurate as he was in the general affairs of life, in the presence of the fair sex, like Samson when he got his hair cut, he was weak and like another man.

"Well," said the Commodore, addressing his daughter-in-law with a kindly smile, "what can I do for you now?"

"Well, papa," she replied in her exceedingly candid and agreeable manner, "we did not need all the money, so I brought you back $1,500."

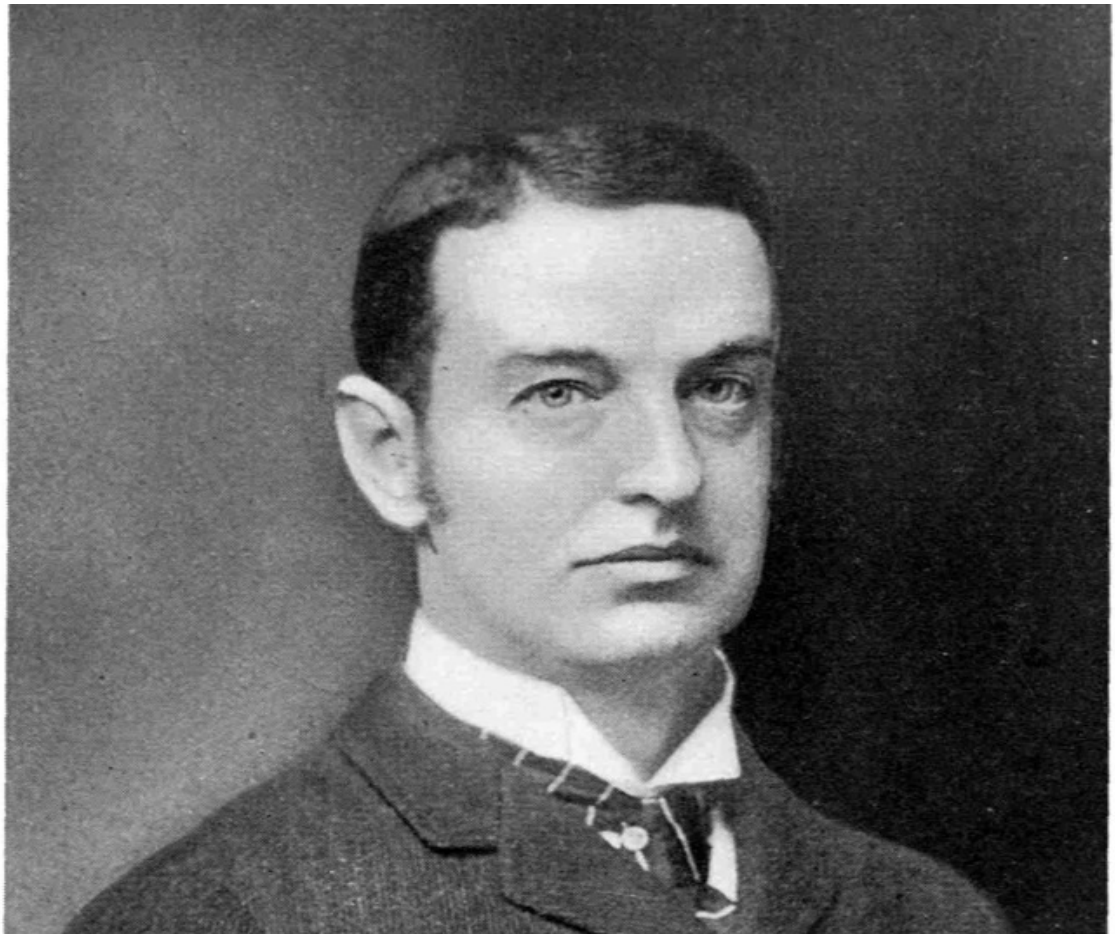
The Commodore could hardly believe his ears and eyes, and thought for a moment that he must be under some mysterious delusion, superinduced by the spiritual seances which he then was in the habit of attending. But when the cash was put in his hand he

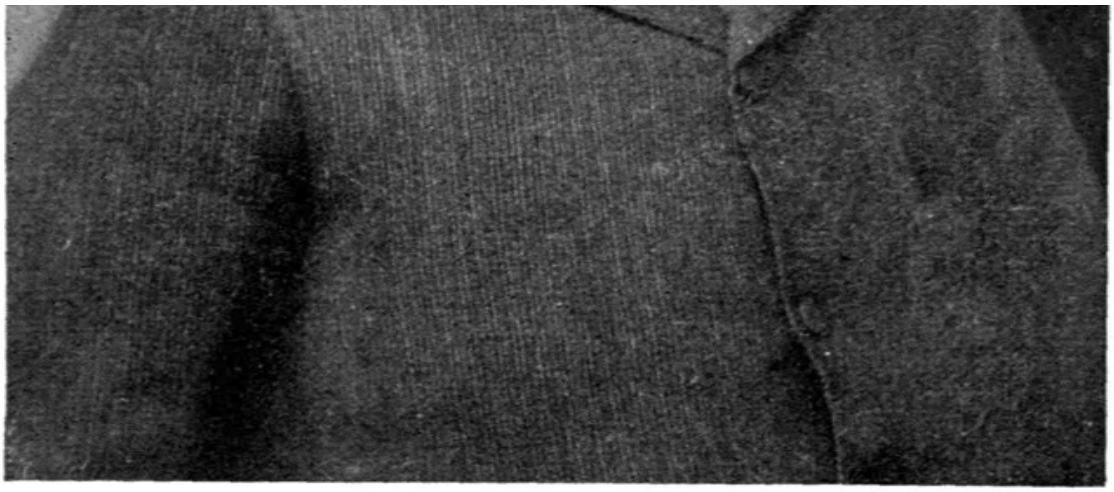
found it was a material reality. This sealed a warm friendship between him and his worthy and economical daughter-in-law, which was only severed by her premature death about ten years before that of her unfortunate husband.

The sympathy that some people manifested for "Young Corneel" was, like his own maladies, of the most morbid or delusive character. He had $200 a week from his father all the time that he was whining to the public about his pinching poverty and denouncing the old man's niggardliness. This would have been ample, with fair economy, not only for all the necessaries of life, but, under judicious management, would have afforded the recipient many of its luxuries.

With his irresistible propensity for gambling, he would not have been any better off physically, but worse, with the entire income from his father's 75 or 100 millions. The only difference that should have arisen was that he would have been instrumental in carrying out in part the socialistic and communistic idea of a wider distribution of private property, amassed by thrift, privation and industry, among the drones, lazy "loafers" and criminals of society.

The Commodore's judgment, therefore, in limiting his prodigal son to $200 a week, was not only comprehensive, but beneficent in its results both to his son and to society at large.





C. Vanderbilt.

CHAPTER XXXVII.

THE YOUNG VANDERBILTS AND THEIR FORTUNES.

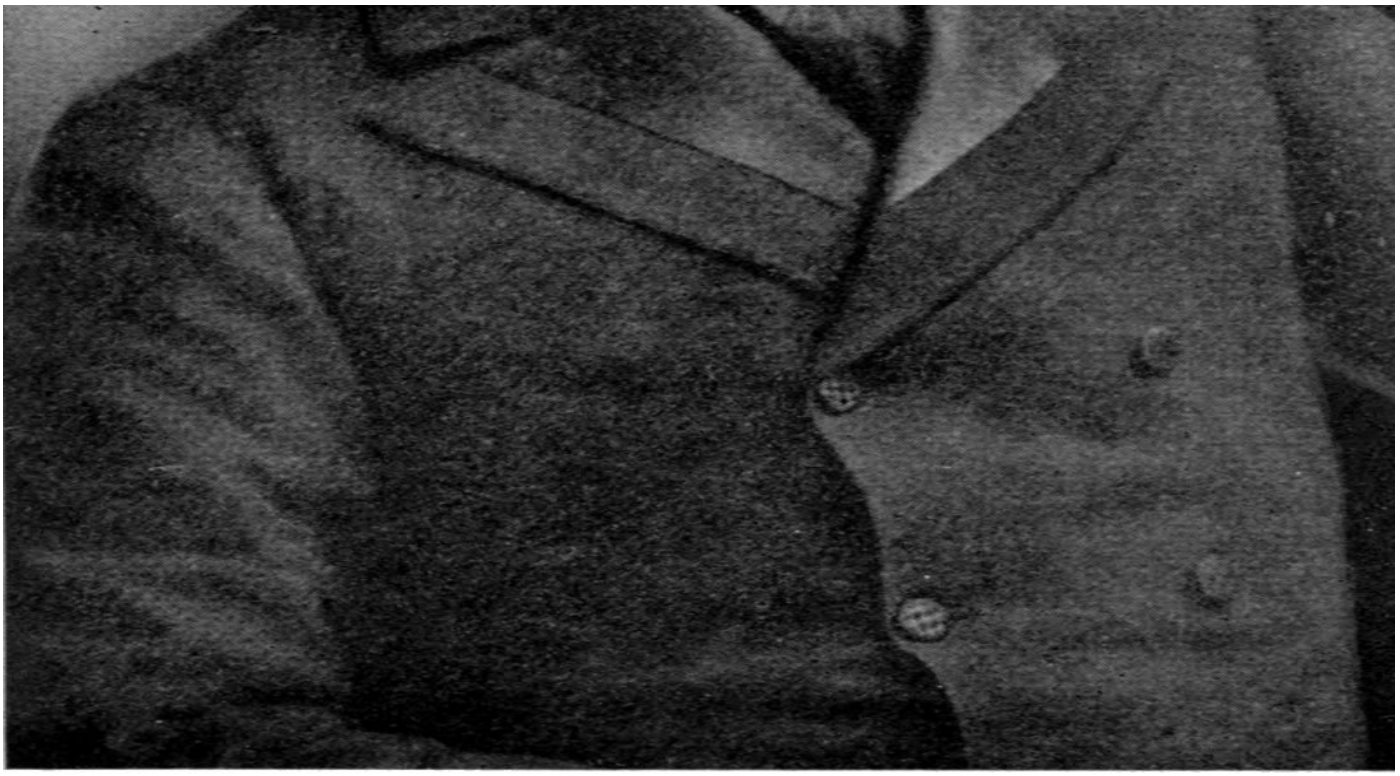
Remarkable for Physical and Intellectual Ability.—The Mixture of Races and the Law of Selection.—The Wonderful Will and the Wise Distribution of Two Hundred Millions.—Tastes, Habits and Social Proclivities of the Young Vanderbilts.—The Married Relations of Some of Them.—Being Happily Assorted they make Good Husbands.—Their Property Regarded as a Great Trust.—Their Railroad System and its Great Army of Employes.—The Young Men Cautious about Speculating, and Conservative in their Expenses Generally.

The young Vanderbilts who have succeeded to the estate of their father, William H., are all remarkable for both intellectual and physical power, as well as a high degree of refinement, showing how fast human evolution under favorable circumstances progresses in this country. In other countries it takes many generations to develop such men as the present Vanderbilts. In this country three generations in this instance have produced some of the best samples of nature's nobility, which is superior in every respect to the proud and vain-glorious production which emanates from the succession of "a hundred earls" in England, or even a greater number of barons, princes and kings on the Continent of Europe. It would be difficult to produce better types of men in the short period named than Cornelius, William K., Frederick and George Vanderbilt, in personal appearance, breeding and culture.

The mixture and amalgamation of races from all parts of the world have doubtless had a great deal to do with such favorable results in the reproduction of our species in the United States. In the old country close intermarriages seem to have a deteriorating effect on the race, with probably the one apparent exception, namely, the house of Rothschild, and a little longer time may tell that the rule of deterioration holds good in this case also.

The four sons of William H. Vanderbilt have had the greatest start in life of any family in all the records of history, ancient and modern, with the single exception, probably, of the five Rothschild brothers, the sons of old Anselm, and they had not near

so much money to begin with, but had the advantage of the Vanderbilts in their locations and in their methods of combination. These methods, as I have observed elsewhere, could only be attained through the Hebrew religion. By the provisions of the remarkable will, which revealed such enormous wealth as to make almost every other millionaire feel comparatively poor, the greater portion of 200 million dollars was divided among the eight children of the testator. Millions were distributed in this case as other millionaires have been in the habit of dealing with thousands. The ordinary human mind fails to grasp the idea of such a vast amount of wealth. If converted into gold it would have weighed 500 tons, and it would have taken 500 strong horses to draw it from the Grand Central Depot to the Sub-Treasury in Wall Street. If it had been all in gold or silver dollars, or even in greenbacks, it would have taken Vanderbilt himself, working eight hours a day, over thirty years to count it. If the first of the Vanderbilts had been a contemporary of old Adam, according to the Mosaic account, and had then started as president of a railroad through Palestine, with a salary of $30,000 a year, saving all this money and living on perquisites, the situation being continued in the male line to the present day, the sum total of all the family savings thus accumulated would not amount to the fortune left by Wm. H. Vanderbilt, unless this original $30,000 had been placed at compound interest, and that in a bank from which young Napoleons of finance had been strictly excluded.



W K Vanderbilt

The will itself affords one of the best tests on record of the sound judgment and equitable mind of the testator. He was under filial obligations to a certain extent to revere the memory and respect the opinions of the father through whom he had acquired the means of accumulating this wonderful fortune.

The Commodore had modified ideas of primogeniture, not exactly in the English sense of the term, but he had an intense desire to perpetuate his name and wealth, and would doubtless have advised William H., and perhaps he did, to bequeath nearly all his possessions to one of his sons, leaving the rest of the family a bare independence.

Wm. H., in accordance with his sensitive disposition, upright mind, and a due respect for the feelings, opinions and even the prejudices of others, resolved to make what public opinion would be likely to consider an approximately fair division of his immense estate. In this attempt, I think he succeeded pretty well, considering all the circumstances and difficulties with which he had to grapple. A synopsis of the will itself, however, herewith inserted, will enable the public to be the best judge of the equity of the case.

In the first place Mr. Vanderbilt devised to his wife the palatial residence, which cost two millions, situated between 51st and 52d streets on Fifth avenue, the stables on Madison avenue, the paintings and statuary, and an annuity of $200,000 per annum. He also empowered her to dispose of, by will, in any way she might desire, $500,000 out of the sum set apart to produce her annuity of $200,000.

He bequeathed to each of his four daughters, Mrs. Elliott F. Shepard, Mrs. William Sloane, Mrs. Hamilton McK. Twombly and Mrs. William Seward Webb, an elegant house on Fifth avenue in the vicinity of his own mansion. He then devised 40 million dollars' worth of securities, 25 millions of which were in United States bonds, to be divided by the trustees equally among his eight children, five millions each. Next he bequeathed 40 millions more in securities, ten millions of which were in United States bonds, and the balance in securities of his own railroads, to his eight children, share and share alike.

He gave to his son Cornelius two million dollars in addition to all other bequests made to him.

George W., his youngest son, is to receive at the death of his mother all that she possessed during her natural life, and if he should die without issue his inheritance shall go to Wm. H., the son of Cornelius, but in the event of this contingency not occurring, the grandson, Wm. H., is to receive a million on attaining the age of 30.

Then followed a host of small legacies to relatives, friends and employes. He left $2,000 a year to each of his uncle Jacob's three children.

He gave $200,000 to the Vanderbilt University of Nashville, Tenn., founded by his father; and he left about a million in the aggregate to twelve charitable and religious institutions.

The twenty-second clause of the will is the most important, especially to his two eldest sons. It reads as follows:

"All the rest, residue and remainder of all the property and estate, real, personal and mixed, of every description and wheresoever situated, of which I may be seized or possessed, or to which I may be entitled at the time of my decease, I give, devise and bequeath unto my two sons, Cornelius Vanderbilt and William K. Vanderbilt, in equal shares, and to their heirs and assigns, to their use forever."

Mrs. Vanderbilt was appointed executrix and her four sons executors of the will. The witnesses were Judge Charles A. Rapallo, Samuel F. Barger, C. C. Clarke and I. P. Chambers.

This remainder, left to his two sons named in the clause cited, amounted to about 50 million dollars each, in addition to their other bequests, thus leaving each of them nearly

as wealthy as their grandfather was when he died. Cornelius is said to be worth over 80 million dollars.

Cornelius is the oldest son. He is a year or two over forty. He received a good education, and had an excellent business training in his father's offices at the Grand Central Depot. He has always been remarkable for strict attention to business, and for his thorough familiarity with everything connected with his own department, as well as having a good general knowledge of all the departments of the great railroad system. When his father retired from active work, and the presidency of the roads, Cornelius succeeded him as Chairman of the Board of Directors in New York Central and Michigan Central.

Wm. K. took a similar position in Lake Shore, and was also elected President of New York, Chicago & St. Louis, generally called the Nickel Plate road.

Cornelius was married about fourteen years ago to Miss Alice Gwinn, a handsome young lady of Cincinnati, and has four children. He resides in an elegant house, at the corner of Fifty-seventh street and Fifth Avenue, and has a handsome summer residence, "The Breakers," at Newport.

He is connected, as an active worker, with various charitable and religious institutions, and is very favorably known and highly respected in the best social circles. He is gaining a great reputation through various donations to laudable objects. Among these may be mentioned the Club House in the vicinity of the Grand Central Depot, for the accommodation of employes of the various railroads connected with the Vanderbilt system. Also his magnificent gift to the Metropolitan Museum of Art, the celebrated picture of Rosa Bonheur, "The Horse Fair," which is valued at $60,000. In this he surpassed the most liberal efforts of Mr. George I. Seney, in one of his grand specialties, namely, contributions to Art.

William Kissam Vanderbilt, the second son of Wm. H., also received a fair education, and graduated in business in the Transportation Department of his father's great railroad system, where he exhibited marked ability in mastering all the essentials, and in doing his work with rapidity and accuracy. He is considered the most handsome and the most imposing in appearance of any of the family, although, as I have intimated at the beginning of this chapter, they are all above the average in regard to the manly and gentlemanly virtues, owing to what Darwin would have designated the "natural law of selection." Wm. K. has a grand mansion, on the corner of Fifty-second street and Fifth Avenue, and a country residence at Islip, Long Island, where he usually summers. He is about thirty-eight years of age. He is married to Miss Alva Smith, the daughter of a wealthy merchant of Savannah. She is a leading lady in society, considerably above the average in good looks, and possessed of rare conversational powers, with an ample fund of wit and humor. They have three children.

Frederick W. Vanderbilt, the third son of the late millionaire, seemed to have had a greater desire for study than the two former, hence after going through the ordinary course for boys at home, he went to Yale, where he graduated in the Sheffield Scientific School. Thus equipped he went into his father's office, and made himself thoroughly acquainted with the general routine of the whole business, in every department.

He married Mrs. Torrance, formerly the wife of his cousin. Young Vanderbilt fell in love with her and married her in a year afterward. She is an exceedingly attractive woman, and the union is a very happy one. Mr. Vanderbilt gave Frederick the house at Fortieth street and Fifth Avenue, in which he himself had resided prior to his removal to the Fifth Avenue palace. This house was built by the old Commodore for his son W. H. It was considered to be the finest residence in the city at the time of its completion.

F. W. Vanderbilt.

F. W. Vanderbilt.

George W. Vanderbilt, the youngest of the four sons, is now about 25 years of age. He is not so robust as the others, but enjoys pretty good health. He manifested a decided tendency at an early age for study and reading.

He is said to be extensively read in literature for his age, and has written some essays on various subjects, which give considerable promise of success with perseverance in that line. He is a lover of the fine-arts, knows the history of all the pictures in the great gallery which his father collected, and like that revered parent, whose constant companion he was during the last few years of his life, he is very fond of the opera. His grandfather, the Commodore, left him a million dollars, to which his father added another million on his twenty-first birthday.

George W. has recently made a handsome present to the Bond street free public library, donating thereto $40,000 to build a branch of that institution at 251 West Thirteenth street. He bids fair to be a liberal patron of letters, and no doubt his gifts in this way will be prudently directed and made with good judgment. The man who can appreciate learning, as George Vanderbilt has proved he can, will never be likely to leave the terms of an endowment to a public library, for instance, which he intended for the benefit of the whole community, so loose that a clique of trustees can restrict all its privileges to a limited number of ladies and gentlemen of leisure, by narrowing the hours of keeping the institution open, as has been done with those two fine libraries intended by the donors for the people at large, namely, the Astor and the Lenox.

New York is comparatively poor in its libraries, even on the supposition that these public trusts should not be tampered with, and their original object defeated; but when the best of them are diverted from the purpose originally intended by the philanthropists who presented them to the public, a great wrong is inflicted on the citizens of New York.

There has been a great deal said and written during the past few years about the Vanderbilt system of railroads being a great monopoly. I am not in favor of monopolies. On the contrary, I have, in this book, as well as through other mediums of reaching the public, and in interviews published all over the country, denounced monopolies in very strong terms. I regard the Vanderbilt properly, however, in the light of a great trust, the four young men above referred to, with Chauncey M. Depew, the President of New York Central, being the trustees, and I question very much if that eminent team of honest and able reformers, Henry George and the Rev. Dr. Edward McGlynn, with other minor lights of the Anti-Poverty Society, could administer that trust with greater benefit to the public, nor could they employ a greater army of well-paid, easy-worked, and well-fed men by any State or National supervision or management, or by breaking up the great corporation into probably a hundred or more small companies.

The Vanderbilt system employs 200,000 people at better wages than they can obtain elsewhere, any place in the world. It pays over $150 an hour for taxes. The State is paid

$1 for every $2.70 received by the stockholders.

Nor can I think it possible that the paternal system of Government proposed by the Socialists, with all the modern discoveries and appliances of dynamite to aid them, could accomplish as much in a century for the well-being and advantage of the people of this State and of the whole country as the Vanderbilt system of railroads has done in half that time. I see no reason, therefore, to regard the present Vanderbilt regime as a grinding monopoly.

Until the Georgeites, the McGlynnites, and the Socialists demonstrate that their untried systems will confer greater happiness on humanity than honest enterprise in the best circumstances, under our present social system, with all its defects, has developed, I shall be tardy in subscribing my adhesion to the new order of things.

I don't wish to be understood for a moment as implying that I am averse to free thought, the highest development of humanity, mentally and physically, and the most advanced evolution in the same direction. I aim at keeping abreast of all these within the free exercise of my own judgment, and it is thus that I can heartily applaud Dr. McGlynn for his polite but firm refusal to visit the Eternal City for the purpose of being corrected or regulated in regard to free thought and free speech, as viewed from the American standpoint, by a foreign potentate, who assumes the guardianship and governorship of all human affairs, both from a spiritual and secular point of view.

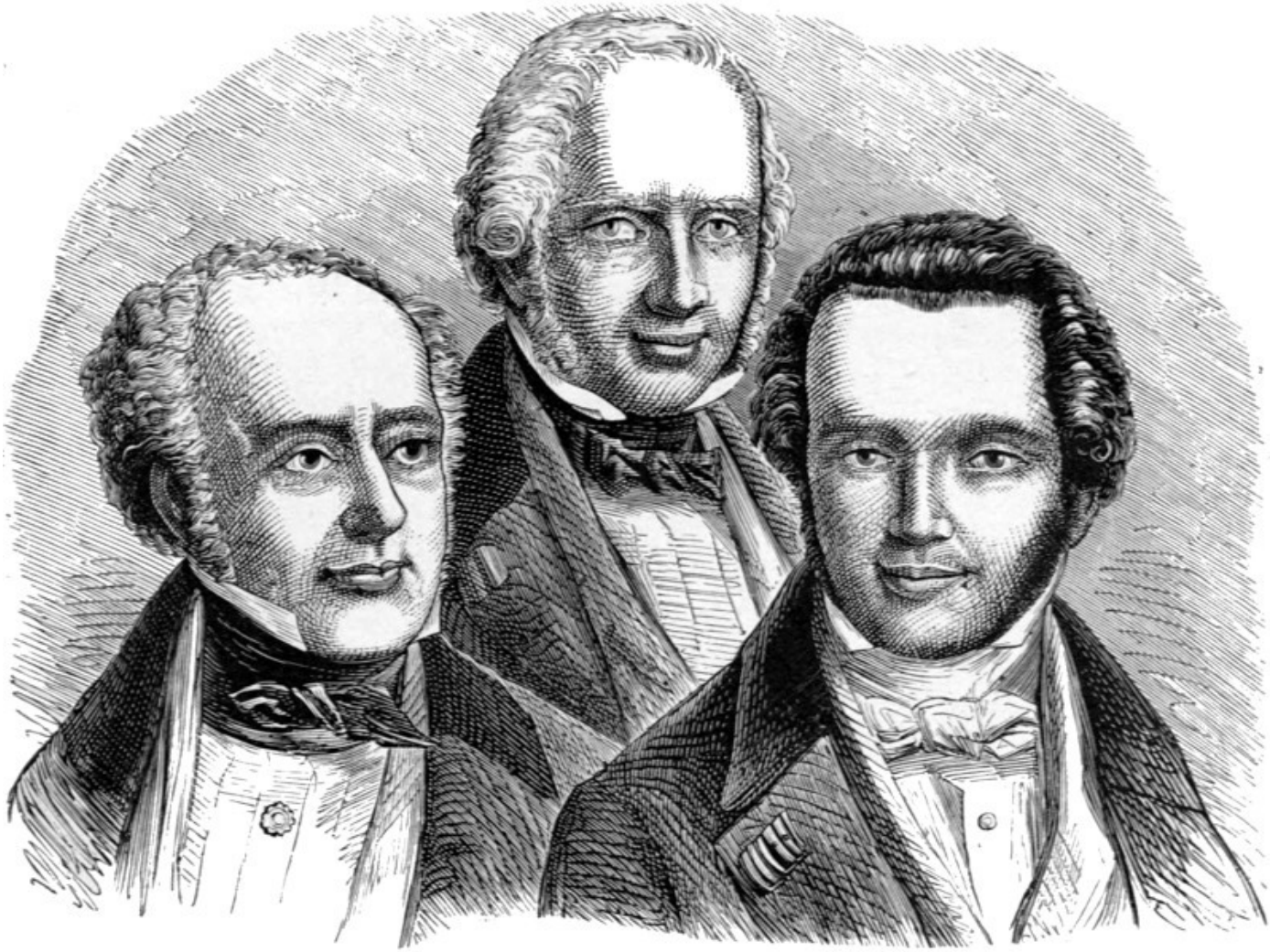
The days of Hildebrand (Pope Gregory VII.) are gone for ever, and Leo XIII. should have sense enough to know it. McGlynn will never stand, like Henry IV., shivering in his shirt at the door of the Vatican, awaiting his sentence of penance to Canossa. Bismarck, however, came pretty near repeating this little historical episode not long since, but the great Chancellor of the German Empire, unlike McGlynn, did not have the advantage of an American education, and the independence which it confers. He may, therefore, to some extent be excused. I think, however, that McGlynn will stick, and I admire his firmness. No church, no matter how powerful its foreign allies may be, can suppress free speech in the home of the brave and the land of the free.

So, in their battle for freedom of speech, I admire the pluck of the George-McGlynn party, but as regards their social theories, I shall remain in a waiting mood until I see them more fully demonstrated.

To return from this little digression, however, I wish to express the hope that the young Vanderbilts will manage their vast estate so as to inure to the public benefit in such a way that the most fastidious Socialist will be unable to take exception to the benign results.

The young Vanderbilts have at intervals speculated in Wall Street, but conservatively, with the exception of William K., who, in the past, has made numerous and spasmodic turns, chiefly on the advice of older operators, which have not always redounded to his

interest. As a rule these young men are shrewd and cautious financiers, and I think it is safe to say that none of them will run the risk of losing his handsome fortune in speculation.



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SOLOMON ROTHSCHILD,
Head of the old House at Vienna.

CHARLES ROTHSCHILD,
Head of the old House at Naples.

ANSELM MAYER ROTHSCHILD,
Head of the House at Frankfort, 1812–35.

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CHAPTER XXXVIII.

THE ROTHSCHILDS.

The Beginning of the Financial Career of the Great House of Rothschild.—The Hessian Blood Money was the Great Foundation of their Fortune.—How the Firm of the Five Original Brothers was Constituted.—Nathan the Greatest Speculator of the Family.—His Career in Great Britain, and How He Misrepresented the Result of the "Battle of Waterloo" for Speculative Purposes.—Creating a Panic on the London Stock Exchange—His Terror of Being Assassinated.—His Death Causes a Panic on the London Exchange and the Bourses.

As the Rothschilds have indirectly made an immense amount of money in Wall Street from time to time, a sketch of the famous house and its methods of doing business will be of interest in this volume. The house is represented in America by Mr. August Belmont, than whom there is no banker more widely known and more highly regarded all the world over. It is due to the wise and conservative management of Mr. Belmont that the famous Rothschilds have reaped millions of profits from American sources. The original name of Rothschild was Bauer. The family adopted the name Rothschild (Red Shield) from the sign which the founder of the house kept over his dingy little shop in Frankfort-on-the-Main, in the odoriferous quarter called the Judengasse (Jews' street). In this little shop Mayer Anselm Rothschild, the founder of the house, discounted bills, changed money, examined the quality of coins, bought cheap and sold dear. "How do you get so rich, Mr. Rothschild?" said a friend of his to old Anselm one day, as he leaned over his dusky little counter. The original head of the great house said: "I buys 'sheep' and sells 'deer.'" His knowledge of the quality of coins was marvellous. He could detect a light coin the moment he took it in his hand, and there was no imitation diamond or gem could escape his eye. He had the instinct of genius in detecting everything in the form of money or jewelry that was not genuine. He was a walking directory so far as the financial standing of every commercial man in Frankfort and in several other important cities in Germany was concerned. At the age of seventeen young Rothschild took rank with the best, oldest and ablest financiers of Frankfort. His father, who died when Mayer Anselm was thirteen years of age, had intended to make him a Rabbi, but the coin had such attraction for him, that it quickly drew him from the Talmud, and he established himself in his father's narrow quarters as a financier.

It is not generally known that Rothschild's first great start in financial life was given to him by the use of the twenty million dollars which was paid to the Landgrave of Hesse, Frederic II., by George III. of England, for 17,000 Hessians to help to whip George Washington and retain the American Colonies. This blood money was the original basis of the vast fortune of the Rothschilds. It was deposited with Mayer Anselm by William IX., the successor of Frederic, whose example was followed by other great ones of the earth, and in a few years the agents of the kings and princes of Europe were flocking to Frankfort to negotiate loans with Rothschild on behalf of their mighty patrons.

There is a very interesting story related, giving the reason why the Landgrave passed by all the great bankers of Frankfort and entrusted this large amount, together with a similar amount afterwards, to Rothschild. The latter had occasion to visit Prince William at his palace in Cassel, and found him playing a game of chess with Baron Estorff. Rothschild prudently kept quiet and did not interrupt the game, but stepped lightly up and stood behind the prince's chair, where he could watch every move. The Prince was getting the worst of the game, and was becoming a little excited. Turning around, he said: "Rothschild, do you understand chess?" "Sufficiently well, your Serene Highness," replied Rothschild, "to induce me, were the game mine, to castle on the king's side." The Prince took the hint, and won the game. Then turning to Rothschild, he said: "You are a wise man. He who can extricate a chess player from such a difficulty as I was in, must have a very clear head for business."

The Prince afterwards told the Baron that Rothschild was as good a chess player as Frederic the Great, and that a man of such capacity must be able to take good care of money. The forty millions which were obtained on deposit remained with the house of Rothschild for nine years, and when Napoleon invaded Germany in the interim, the money, together with other valuables, was hidden in wine casks in Rothschild's cellar, but the Conqueror never thought of tapping the casks. After peace was proclaimed, and William, who had been obliged to seek safety in flight, returned home, old Rothschild was dead, but his son Anselm handed over to the Prince every dollar of the forty millions, and tendered him in addition two per cent. interest for the entire time of the deposit. The Prince made him a present of the interest.

The elder Rothschild had five sons, namely: Anselm, who succeeded his father in Frankfort; Solomon, of Vienna; Nathan Mayer, of London; Charles, of Naples; and James, of Paris. According to their father's will, the five sons were to constitute but one firm, in which they were to enjoy equal profits, and never divide the fortune. The business was to be managed at Frankfort as headquarters, to which great money centre all the profits from the other moneyed capitals were to be raked in. The intention of the old man was to make these five money kings dominate Europe by the power of their wealth, so that the ordinary kings would become their subjects, and in many instances

the hopes of the great old chess player have been realized. All the annual settlements were made at Frankfort, and the brothers met there at least once a year for a general conference. This system continues, and though the original five brothers have all passed over to the majority, the last of them, James, having died in Paris in 1868, at the ripe age of 76, yet the representatives of the house in the large cities of Europe sustain the principles of union, harmony and consolidation laid down by old Anselm Mayer Rothschild. Although this union has been the great source of the Rothschilds' success, it would be hopeless, however, for any other parent outside the Hebrew race to imitate the injunction of old Rothschild. The idea of an equal division of the profits could not be entertained for a moment by an American. The socialistic family tie that enjoined such an arrangement could only be rendered binding through the power of the Hebrew religion. Just imagine how an American would feel if by some lucky turn of fortune, like that of Nathan Rothschild in London, after the battle of Waterloo, he should make six millions in a day, and be requested to divide it with his four brothers! He would sooner spend a million of it to try and break the old man's will, and employ several of the best sophistical lawyers he could find to prove that his father was demented.

It is supposed that the elder Rothschild died worth 15 or 20 millions, but this is in a great measure merely conjecture, as nobody outside the family ever knew what their real wealth was, this fact having always been kept an inviolate family secret. It must be said, to the credit of the old man, that in his latter days, instead of becoming stingy, as many do, he was quite liberal, and, according to the scriptural injunction, distributed his alms in secret, without even permitting his sons to know anything about the matter. He contributed largely to various charities in the same way. It is said he would go through the poverty-stricken districts of the city after night, giving money to the needy, from whom he would retreat before giving them time to thank him for his beneficence. He had a notion that those who gave without receiving thanks were greater favorites with the Divine Being, who rules the destinies of man.

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NATHAN MAYER ROTHSCHILD.
(The Financial Hero of Waterloo.)

The greatest speculator of the five brothers was Nathan Mayer Rothschild, the third son of the great old man. He made the grand hit of his life after the battle of Waterloo. He kept watching the movements of the opposing armies on the Continent, and followed Wellington very closely as he approached the famous field. It seems that the Iron Duke was not at all pleased with Nathan's attention to him, as he took him for either a spy or an assassin, and was on the point of having him arrested several times. But Nathan kept his purpose steadily in view, in spite of the fact that bullets were whizzing around his ears in showers. He sat on his horse on the hill of Hougomont with perfect composure in the teeming rain the whole afternoon, looking upon that terrible struggle that was to decide the destiny of nations, until Blucher arrived and the French were put to route.

As soon as Nathan saw this he put spurs to his steed and made all possible haste to Brussels, where a carriage with swift horses was in waiting to carry him to Ostend. At day light next morning he arrived on the Belgian coast, where he found it exceedingly difficult to obtain a boat, the sea being very rough. At length he obtained a boatman as courageous as himself, who undertook the task for 2,500 francs, and landed him at Dover in the evening. He lost no time, but with relays of the swiftest horses pushed forward to London, and was on the Exchange next morning ready for business, long before the opening of the market. That was the morning of the 20th, only a day and two nights after the battle that decided the fate of nations. Nathan had performed a great feat. He acted his role well. Like the great hero whose political history had just closed, Nathan was "grand, gloomy and peculiar," in the financial sense of the phrase. He was an embodiment of the latest information from the Continent. In defiance of winds and waves he had, at the risk of his life, outstripped the swiftest couriers and the best special correspondents of that day. The great operators flocked around him asking, "What is the news?" Nathan sighed heavily and seemed reluctant to tell. Eventually, this important piece of information was extorted from him, in strict confidence: "Blucher, at the head of his vast army of veterans, was defeated by Napoleon at Ligny, on the 16th and 17th (of June), and there can be no hope for Wellington with his comparatively small and undisciplined force." This statement was substantially true, and it forcibly reminds one of Tennyson's poetic remarks:

"A lie which is all a lie
May be met and fought with outright,
But a lie which is half a truth,
Is a harder matter to fight."

True, Blucher had been repulsed at Ligny. The Duke had an awkward squad, with the exception of the English, the Irish, and the Scotch Greys, to marshal in fighting order, but he "got there all the same." Nathan's secret point soon oozed out, and in less than an hour after the opening there was a perfect panic on the London Stock Exchange. Nathan

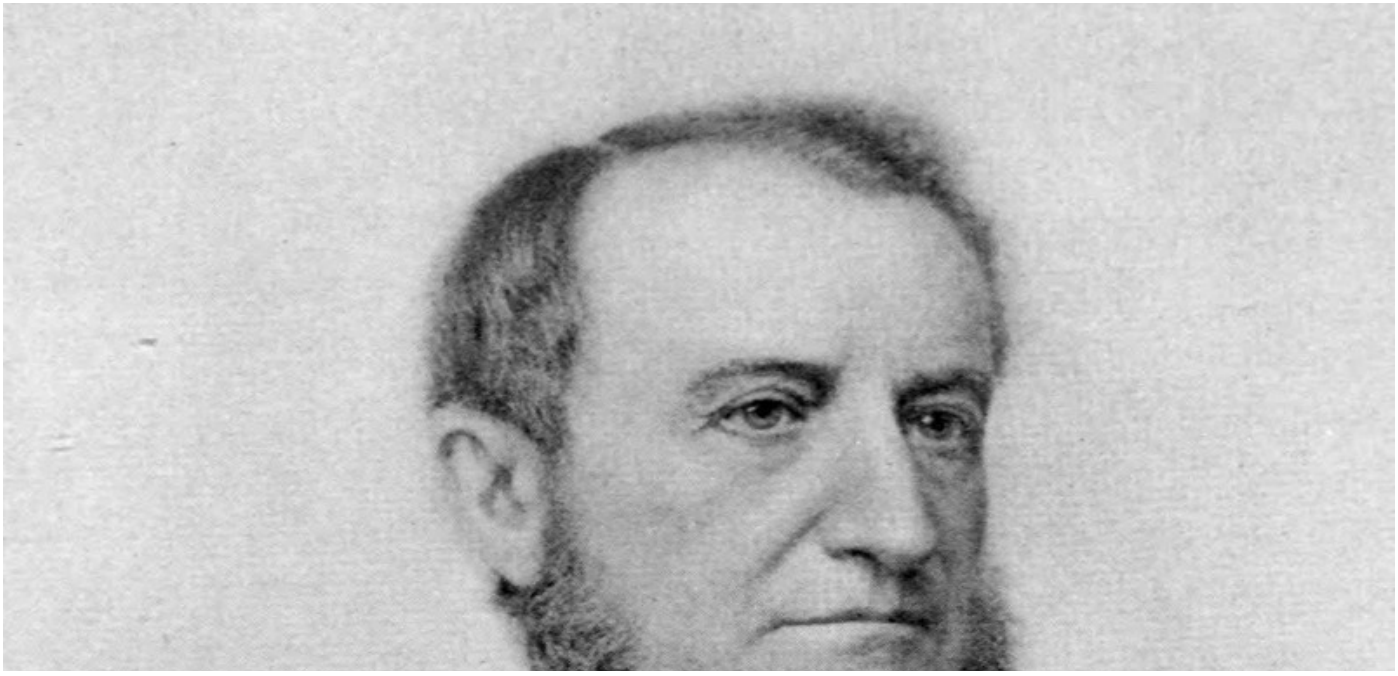
had his brokers at work, first selling "short," and then, when the market reached bed rock, buying on the long side. He bought everything that he could raise, borrow or beg the money for—consols, notes and bills. When the news of Wellington's victory arrived, forty-eight hours after Nathan had begun to manipulate the market, and when he was "long" of everything that he had money or credit to purchase, securities went up with a boom. Nathan realized six million dollars, and it is said that a large number of the great operators flocked around him to congratulate him. It was lucky for Nathan that the scene of his operations was in London instead of Wall Street, otherwise Judge Lynch might have had something to say before the settlements had been made.

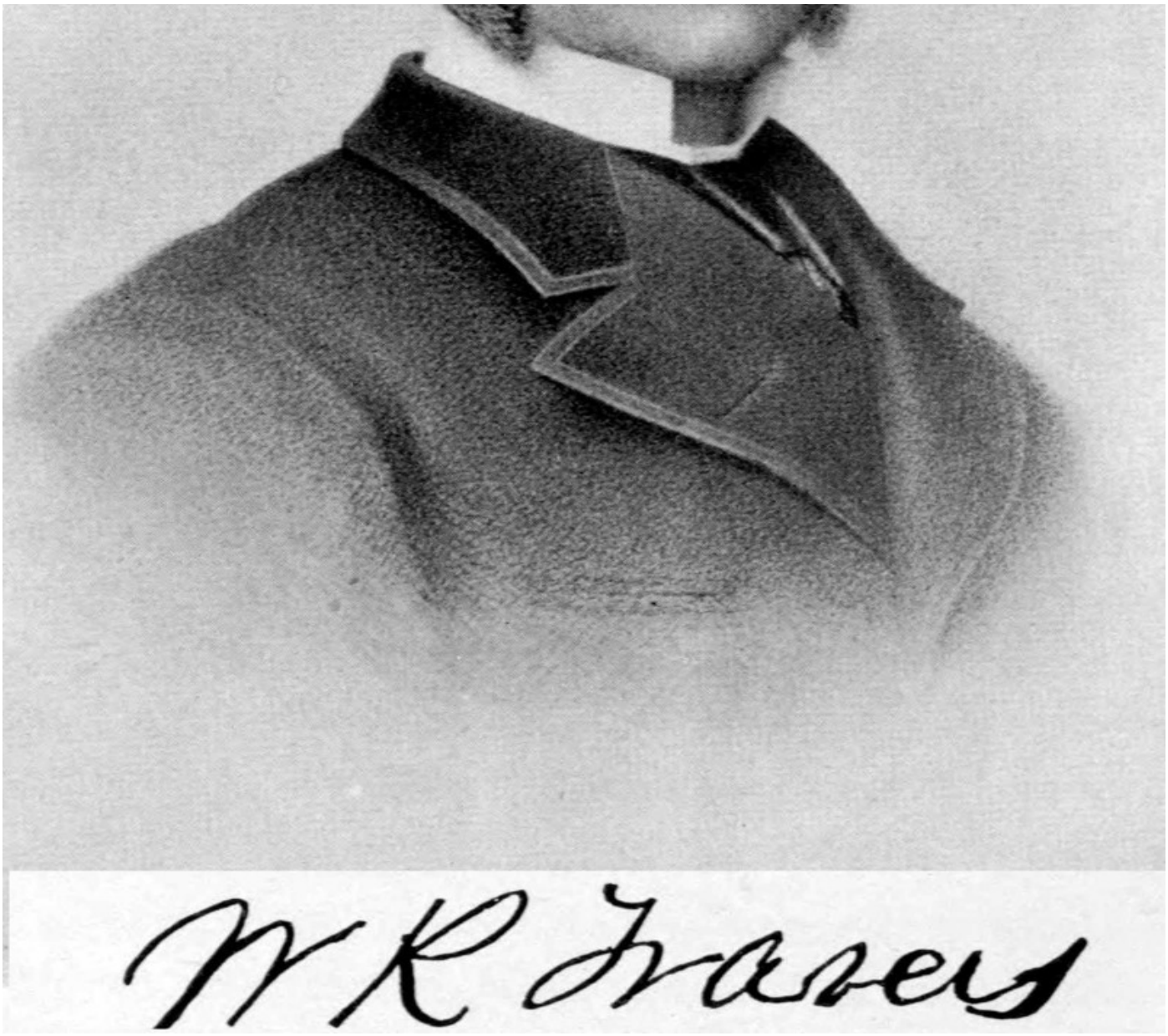
The career of Nathan Rothschild in England was remarkable, and his success from the very start phenomenal. He began his speculations and money-lending operations in Manchester with $500, being the limited amount which he was permitted to draw from the family treasury on taking his departure from Frankfort to seek his fortune in Great Britain. In five years he had augmented the $500 to a million. He then removed to London. There he married a daughter of Levi Cohen, one of the wealthiest Hebrews of the great metropolis, well known by the pseudonym of Pound-Adoring Cohen. His father-in-law was afraid that Nathan would soon ruin himself, so reckless did he seem in his speculations, estimated by the conservative standard of old Cohen.

Nathan was very fortunate in his speculative ventures in the public funds, and managed to get himself introduced so as to do considerable business for the Government in its transactions on the Continent. His first introduction to the Government was through the Duke of Wellington, who during his peninsular campaigns had made drafts that the Treasury of Great Britain was dilatory in meeting. Nathan purchased these drafts at a large discount. He afterwards renewed them to the Government, and they were eventually redeemed at par. This was the means of bringing him into confidential relations with the ministry of Great Britain, and he was entirely trusted as their chief agent in all their financial matters on the Continent. This gave him immense advantage in speculating, and enabled him to give his brothers in the other great capitals of Europe a large amount of valuable and inside information, which put them in a position to speculate with success in the funds of their respective Governments. Nathan had made arrangements to get the very latest information from Frankfort, then the centre of European financiering, by well trained carrier pigeons. He had also several boats of his own by which to send personal messages across the channel in cases where these were requisite, and a boat always in readiness at a moment's notice in case his presence should be indispensable at the great money centre, and the central counting and clearing house of the family.

Nathan Rothschild was a strange and inconsistent compound of liberality, avariciousness, and penuriousness. He entertained his guests in a princely style, and often princes were mingled with those guests, but he was miserably mean with his

clerks and employees generally. Unlike A. T. Stewart, who followed the very opposite rule, and had his place filled with bankrupt dry goods men as employees, the Rothschilds would never engage anybody who had been unfortunate in business. They had a superstitious feeling that misfortune is contagious, and they carefully avoided coming in contact with any of its victims. Nathan was even more precise than Wm. H. Vanderbilt in calculating the pennies in his lunch bill; but while Vanderbilt did this as a mere whim to illustrate his business precision and correctness, Rothschild really loved the pennies with ardent devotion. But Baron Nathan, even when he had accumulated $70,000,000 or $80,000,000, was not happy. He was tortured by the fear of enemies, who, he believed, intended to murder him. Like Vanderbilt, he received many threatening letters; but unlike the New York millionaire, who paid no attention to threats, but walked and drove out defiantly, Rothschild was still in mortal terror, and believed that the threats were intended to be executed. Nathan made one of his biggest piles out of the Almaden quicksilver mines in Spain. The Spanish Government wanted a loan, which he granted, receiving the mines as security for several years. He got up a "corner" in quicksilver, and raised the price 100 per cent. He realized almost $6,000,000 out of this transaction. It was as good for him as the Waterloo deal, only the returns did not come in so quickly. Nathan died in Frankfort, at the age of 59, in 1836. His last words were, "He is trying to kill me. Quick, quick, give me the gold." His death created a panic on the London Stock Exchange, and the Continental Bourses were greatly embarrassed by the event. The news was conveyed by a carrier pigeon, which was shot by a boy near Brighton. The message was briefly, *Il est mort*-"He is dead." The interests of the house of Rothschild are now scattered over the globe, and it is probable that the aggregate wealth of all the branches of the firm, including the possessions of the various members of their families, exceeds $1,000,000,000.





W R Travers

CHAPTER XXXIX.

TRAVERS.

The Unique Character of Travers—His Versatile Attainments—Although of a Genial and Humorous Disposition, He Has Always Been a Bear—How He Was the Means of Preserving the Commercial Supremacy of New York—He Squashes the English Bravado, and Saves the Oratorical Honor of Our Country—Has the Oyster Brains?—It Must Have Brains. For it Knows Enough to Sh-sh-shut Up—The Dog and the Rat—I D-d-don't Want to Buy the D-d-dog; I Will Buy the R-r-rat—Travers on the Royal Stand at the Derby—How He Was Euchred by the Pool-Seller—My Proxy in a Speech at the Union Club.—If You are a S-s-self-made Man, Wh-wh-y the D-devil Didn't You Put More H-Hair on the Top of Your Head? Other Witticisms, &c.

Wm. R. Travers is one of the most notable men of Wall Street in our time.

His success in speculation has usually been on the bear side, which is rather singular, as he is a man of such a genial disposition, with a kind nature, an inexhaustible supply of sparkling wit, and always brimful of humor.

He is also fond of athletic sports of every description, and, in fact, is a kind of universal genius, so various and versatile are his attainments. Owing to his immense variety of qualities, tastes and pursuits, he has one of the most remarkable records in Wall Street; and the most singular thing about him, probably, is, that while having all the attributes usually inherent in a bull, he has always been a bear in his transactions.

This genial, benevolent and high spirited man has never been known to believe that there was any value in any property.

If he ever by chance happened to make any money on the bull side of the market, it must have made him feel very uncomfortable—in fact, conscientiously miserable—as he could not realize that by any possibility it belonged to him.

It is due to Mr. Travers, however, that New York has been so highly classified in the catalogue of cities, in fact, as occupying the highest position in public estimation, and that it has attained full credit for being the largest in wealth and population of any city in the Union. This fact, now generally admitted, seemed to have been suspended in doubt until Mr. Travers came from Baltimore to reside in our midst.

It will be remembered by many Wall Street men that prior to the advent of Mr. Travers the rivalry among several of the seaboard cities on the Atlantic coast was very keen. Boston, Philadelphia and Baltimore were each in turn disposed to claim pre-eminence. Thanks to this Wall Street magnate, the matter is now no longer in dispute. It was finally decided in this way:

One day after Mr. Travers became one of ourselves, an old friend from Baltimore met him in Wall Street. As it had been a long time since they saw each other, they had a considerable number of topics to talk over. They had been familiar friends in the Monumental City, and were not therefore restrained by the usual social formalities.

"I notice, Travers," said the Baltimorean, "that you stutter a great deal more than when you were in Baltimore."

"W-h-y, y-e-s," replied Mr. Travers, darting a look of surprise at his friend; "of course I do. This is a d-d-damned sight b-b-bigger city."

That settled it. Since this famous interview, and this scientific explanation given by Mr. Travers to his old friend, no skeptic has had sufficient temerity to entertain any doubt regarding the financial and commercial supremacy of New York; its leading position as the great emporium of the Continent has never since been questioned; and there are few cities outside of Ohio that can claim such power in politics.

It is due to Mr. Travers, also, that this country still retains the palm for oratory and volubility in speech, and has successfully resisted the intrusive and pretentious claims of Great Britain in regard to that great and somewhat limited accomplishment.

The destiny of this nation in that respect hung in the balance at one time.

A sort of go-as-you-please oratorical contest was being arranged to decide the question of championship between Great Britain and ourselves, and a vaunting and loquacious Britisher had appeared in our midst to dispute the claim of the national cup in oratory as Rowell had done for the belt in pedestrianism.

This English bravado had letters of introduction from Lord Randolph Churchill, Sir Charles Dilke, Lord Salisbury, Mr. Gladstone, and other British declaimers to Mr. Travers and other American gentlemen. It was in the yachting season, and the voluble champion was invited to accompany a party, of which Mr. Travers was the leading spirit, down the bay in Mr. Travers' yacht. The orator had talked everybody within earshot of his voice almost deaf. When the party arrived at the dinner table it was hoped that he would cease for a short time; but when every other topic seemed exhausted, as well as the patience of his listeners, he started off with renewed fluency on the subject of oysters, which constituted the dish then at table.

"It is now a debatable point among scientists," he began, "as to whether or not the oyster has brains." Travers, who up to this time had endured the infliction of his

loquacious guest, with the calmness of Job, said, "I think the oyster must have b-b-brains because it knows enough when to sh-sh-shut up."

By this satiric stroke the English orator was dumbfounded and almost paralyzed; his fluent tongue ceased to wag with its usual volubility, and when requested to name his time for the international contest, he begged to be excused until cured of his cold. He took the next steamer for Liverpool, and has not been heard of since. Mr. Travers' incisive remark about the mental attributes of the oyster thoroughly squashed him, and saved the oratorical honor of our country.

Mr. Travers started in life in the grocery business in Baltimore, but disaster overtaking him there, he came to New York, and soon thereafter formed a co-partnership with Leonard W. Jerome, the firm being Travers & Jerome. Mr. Travers met with fair prosperity from the start, and soon accumulated wealth. The worst set-back probably that he ever received during his residence in this city was on one occasion on his way home after the business day was over. Being attracted by the display in the window of a bird fancier and dog dealer, from curiosity he was tempted to enter the place. One of the conspicuous objects that met his eye was a very large sized parrot. Mr. Travers inquired of the proprietor of the establishment who was in attendance "i-i-if th-th-th-that p-p-parrot c-c-could t-t-talk?"

Its owner quickly replied, "If it couldn't talk better than you, I'd cut its damned head off."

Mr. Travers for a long time afterwards made up his mind some time or other to get even with this dealer in animals and birds, and succeeded most effectually. His coachman made a complaint to him that the stable was overrun with rats. Mr. Travers said, "Well, you m-m-must hunt for a r-r-rat dog." The coachman made it known that Mr. Travers wanted a dog, and all those engaged dealing in dogs overran Mr. Travers' house as ferociously as the rats had overrun the stable, to get him to buy a dog. Among the rest who responded was this identical man who kept the store where the parrot was. Mr. Travers recognized him at once, and told him, "I-i-if he w-w-would b-b-b-be d-d-down at the s-s-stable in the m-morning with t-th-the d-d-dog, he would g-g-give him a tr-tr-trial, and if he p-pr-proved to b-b-be a g-g-good r-rat c-c-catcher, would b-b-buy him."

Mr. Travers sent for his coachman and told him to catch three or four rats and put them in the bin, and he would be down in the morning to try the dog. So, good and early next morning Mr. Travers was on hand at the stable, and also the dog man and his terrier. Three rats having already been put into the bin, Mr. Travers ordered the dog put inside, as the man said he was ready for the fray, and the rats were so ferocious, and showed such determined fight, that they kept the dog at bay, and he took to the corner of the bin for protection. By and by the owner pushed him right on the rats, and after a pretty fierce tussle he did secure one of them and shook him until dead. This success

encouraged a tussle with another, which, after a long fight, shared the same fate. The third rat, however, was determined to resist the dog, and did so nobly and fiercely, making a prolonged fight, which resulted in a draw, and it was hard to tell which was the worst hurt, the dog or the rat.

The owner of the dog then turned to Mr. Travers and said: "Now you see what a fine dog that is, won't you buy him?" Mr. Travers replied: "I d-d-don't w-w-want t-t-to b-b-buy the d-d-dog, b-b-but I'll b-b-b-buy the r-rat."

Mr. Travers, when he first saw the owner of this dog, remembered him in connection with the parrot. Since the rat fight, however, this same man has never ceased to remember Mr. Travers, so that honors remain easy between them. Mr. Travers has never been known to be at a loss for wit to meet an emergency, and it is recognized that it flows as freely from his lips and in as perfectly natural a way, as ordinary conversation does from most people.

Early in the Spring of last year, on the advice of his physician, Mr. Travers took his maiden trip to Europe, and would not have gone but for the urgency of the case, always regarding that this country was big enough for him without leaving its shores. When he reached England, however, he found, when his arrival was announced through the medium of the papers, that he was as well known amongst the nobility, sporting world and other distinguished people there as he was in his own country, owing to his connection with the turf and athletic sports, together with his widely published witticisms which had preceded him. He consequently was overpowered by attention and hospitality, and participated to as full an extent as his health would permit. He attended the Derby, and took an interest in a pool which resulted in his favor. As soon as he ascertained his good fortune, he went to bag his money, but found that the pool man had decamped with the funds. This was a sad disappointment. He could scarcely believe his eyes or the various statements which went to corroborate this man's disappearance, but it was evident that he was *non est*, as he was nowhere to be found about the stand or on the field. Travers made complaint to a policeman, who appeared perfectly indifferent to the charge. Mr. Travers said: "W-w-we d-don't d-d-do th-th-that way in m-my c-c-c-country. I b-b-belong to America." The policeman turned impertinently and said: "You had better go back to your own country, if that's the case." This was an indignity to which Mr. Travers did not feel inclined to submit, and he at once exhibited his badge, which admitted him to the royal stand. The policeman recognized it with affright, and almost fell on his knees in making profuse apologies and offers of service, showing the cringing spirit which prevails in England to royalty and nobility, by the people who occupy the position as servants to these high-born personages. Mr. Travers overlooked this official rudeness, and submitted to his loss as cheerfully as possible under the circumstances.

I met Mr. Travers on board the Newport boat immediately on his return, and he told me this story. I replied, "that I was surprised that a man of that character should have acted so villainously, as I had always supposed that such men were influenced by the recognized principle the world over, of honor among thieves." Mr. Travers instantly replied: "No one could have t-t-told him that I was a th-th-thief."

I remember another instance, which was during the war period. I had written a series of letters on national financial matters, which were then before the country for discussion, and they were published in the New York *Times*. Mr. Travers was met on his way down town by a Wall Street friend on the morning that one of these letters appeared in the paper, who asked Mr. Travers if he had seen Mr. Clews' last letter. Mr. Travers said, "I h-h-hope so."

Shortly after this I was a guest at a dinner party at the Union Club, and was late in presenting myself. When I reached the entertainment (which was a sort of mutual admiration gathering), the speeches had commenced, and I no sooner had taken my seat than Mr. Lawrence Jerome proposed my health. While it was being drank, Mr. Travers, who sat immediately opposite, came over and whispered in my ear, "Clews, you d-d-don't w-want t-to speak so soon after c-c-oming in here, d-d-do you?" "No, I do not," I replied. "I'll t-t-tell th-th-them so, will I?" "Yes, I wish you would," I said. He went back to his place and said, "Gentlemen, I have talked with Mr. Clews, and he d-d-desires me t-to ask you t-to excuse him f-from making a speech on th-th-this occasion and i-if you w-will d-d-do so, he w-will w-write you a l-letter."

To show the rapid fluctuations that take place in Wall Street, and how even the best judges of the market are often mistaken in their prognostications, I will note an instance in connection with Mr. Travers. On his return from Europe, which was early in July, 1885, when the market on this side was weak, cables prior to his departure evidently indicated to him that much lower figures were in order. Just prior to the arrival of the steamer, in conversing with an associate member of the Exchange, he said, "B-b-barnes, I'll make a l-l-little b-b-bet with you; I'll b-b-bet you L-l-lackawanna will b-b-be under six-ty when we r-reach New Y-York." Barnes was not willing to make the bet, however, but on their arrival, which was two days after, nothing surprised Mr. Travers so much as to find Lackawanna 110 instead of the figure 60 or less which he had predicted, especially as its advance did not cease thereafter until it sold at 130.

It has been justly said, that if a man will wear a good looking hat, and good, well polished boots, the head and feet being the parts which first catch the eye of an observer, it matters very little what kind of material the coat, vest and trousers may be made of, if they are whole and kept clean. Though they may be threadbare the man will appear to be fairly dressed, and will look much younger than if he were careless regarding the covering of his extremities. If the latter are fairly adorned he can pass muster.

Knowing this fact, I had always been in the habit of posing before the public as a youth. In this I was materially assisted by having no hair on the top of my head, in the place where other people's hair usually grows. I had been this way for twenty years, just presenting about the same appearance as when I was born, and it has always been a matter of remark how youthful I looked.

I have often been asked what I did to keep myself looking so young. My truthful answer always has been that, "Virtue is its own reward." This theory invariably passed as sound in my case until it was knocked into a cocked hat by Travers. One unlucky day he removed the mask, and changed the current of public opinion against me on the much cherished subject of my perpetual bloom of youth.

It occurred in this way. Frank Leslie's *Illustrated Weekly* had published a number of pictures of the active business men of New York, who were known in the community as self-made men, and mine was among them.

A few days after the appearance of my picture in this paper, I happened, one afternoon, on my way uptown, to drop into the Union Club, and as usual, went into the main room. It was full of members, largely composed of a scattering of Wall Street bankers and brokers.

Travers was present, and when he is on hand on such occasions, it always means laughter for the multitude at some one's expense. In this instance it happened to be at mine.

As I entered the room, Travers said, in an audible voice: "Hallo, boys! here comes Clews, the self-made man." Then, addressing himself to me, he said: "I s-s-say, Cl-Cl-Clews, as you are a s-s-self-made man, wh-wh-why the d-d-devil didn't you p-put more h-h-hair on the top of your head?"

This story having gone the rounds, as it soon did, drew attention to my summer-appareled head, which before that time had enabled me to pass myself off as a youngster just striking out at the commencement of life. That stroke of Travers' wit, however, has been the cause of consigning me ever since to the ranks of the old "fogies." Now, everybody is convinced that my hair, now *non est*, had already come and gone, and that my head represents the work of ages.

This is another vivid instance illustrating the saying that "many a truth is spoken in jest."

When Travers thus removed my mask of adolescence, it made me feel unhappy for some time, as it really transformed my entire identity, and deprived me of that luxury so dear to all the fair sex, and to many of my own, of sailing under false colors in reference to my age.

Still, as Travers is such a righteous, good fellow, I have had to forgive him, notwithstanding the gravity of the offense in having hurt the most tender part of my sensitive nature. So we can make up and become friends again, as I value the renewal of his friendship even at the cost of such a great personal sacrifice as the deprivation of my supposed youthfulness.

On the principle that misery loves company, and as Mr. Travers had brought misery to my lot by drawing public attention to my bare head, I found consolation, shortly afterwards, in a huge joke that the same facetious individual perpetrated upon another member of the Club, who happened to be one of New York's most celebrated lawyers. This gentleman, it is well known, has been connected with some of the largest and most remunerative railroad cases in our courts for many years, and being considered a great authority in that branch of legal lore, he was accustomed to exact his own terms from his wealthy clients, which meant, in most instances, a very fat fee. This gentleman was standing on the side of the street opposite the Club one afternoon, while Travers was surrounded by a cluster of club men on the other side. "Look across the way, boys," observed Travers, "th-th-there's B-B-Barlow with his hands in his own p-p-pockets at last."

On another occasion, when Travers, who resides at Newport in the summer, and is the possessor of a small-sized yacht there, which he obtained some years ago in lieu of a debt, was taking a refreshing sail on his yacht in the bay one morning, it happened that a squadron of yachts appeared in his vicinity, and there was going to be a race. Travers having been made acquainted with the fact, invited a party of friends to go to see the race. As soon as it became known to the yachtsmen that the renowned Travers had appeared on the deck of his yacht, a committee was assigned to convey to him the respects of the members of the squadron. When they came alongside his craft he invited them on board, and saw at a glance that they nearly all happened to be bankers and brokers. Casting his eyes across the glittering water, he beheld a number of beautiful white-winged yachts in the distance, and finding, by inquiry, that they all belonged to Wall Street well known brokers, he appeared thereby to be thrown momentarily into a deep reverie, and, without turning his gaze from the handsome squadron, finally asked his distinguished visitors, "wh-wh-where are the cu-cu-customers' yachts?"

Comment would be entirely superfluous.

A. T. Stewart, the world renowned retail dry goods merchant, was elected, on one occasion, to preside at a meeting of citizens during the war period, Travers being amongst the number present. When Mr. Stewart took his gold pencil case from his pocket and rapped with its head on the table for the meeting to come to order, Travers called out, in an audible tone, "C-cash!" which brought down the house, and no one laughed more heartily than Mr. Stewart, although it was a severe thrust at himself.

As it is sometimes said of a stranger who comes from a foreign country, Travers came to New York well recommended, bringing letters of introduction with him from the first families of Baltimore, and credentials which at once established his status and reputation. So it was not necessary for him to remain long on probation in New York. Coming here was not a new birth to him, although, in some measure, he may be said to have risen, Phœnix-like, from the ashes of his former self, as business misfortunes had overtaken him in Baltimore.

Travers had not only to start in a new place and in a new business when he came here, but he had to begin the ascent of his prosperous career at the very bottom of the financial ladder. Owing to his incomparable geniality he met with hosts of friends from the very start, and he prospered from the word "go."

Travers formed several partnerships at various times. After making considerable money in the one above alluded to with Mr. Jerome, the partnership was dissolved, and Travers then continued business alone as a Wall Street operator, and as I have formerly stated, usually acted on the bear side of the market, which was remarkable for a person of such a buoyant and hopeful disposition.

In his business operations Mr. Travers has always shown great sagacity, mingled with caution, and his prestige as a leader became so great that he soon attracted a numerous following of operators, who, with their eminent leader, formed a set widely known in speculative circles all over this country as the "Twenty-third Street Party." Of this party, Mr. Addison Cammack, the celebrated bear, was a prominent member, and a great admirer of Mr. Travers.

Mr. Travers was well-born and received a good education, with an excellent training for a business career. He married a daughter of the Hon. Reverdy Johnson, who was United States Minister to England during the administration of Andrew Johnson, and who was one of the most prominent members of the Bar.

Mr. Travers has always been famous for his attachment to out-door sports and amusements, and on the principle that water finds its level, so did Mr. Travers in the sporting world. He soon became President of the Jerome Jockey Club, President of the Racquet Club, President of the Athletic Club, and was thoroughly identified as a leader in the large majority of manly and out-door sports, in which the youth of New York city and its suburbs were interested.

It is due both to Mr. Travers and his quondam partner, the renowned Leonard W. Jerome, to state that the efforts of these two men have been chiefly instrumental in elevating the social and moral tone of the race-course in this part of the country, and raising it to a standard of respectability, to which before their reformatory efforts it was partially a stranger. It was, in a great measure, through their exertions that the race-track became a fashionable resort, in the North, for ladies, as it had been in the South for

many years, especially in Kentucky. The ladies of the present day can now talk horse at Jerome Park, Sheepshead Bay and Long Branch with a volubility that twenty years ago would have shocked their mothers, and would still cause their grandmothers to have epileptic fits. So the ladies of the present generation are greatly indebted to these two gentlemen for having removed the social stigma from the turf, in this section, thus enabling the fair sex to enjoy, in common with the lords of creation, and without compunction and loss of dignity, one of the greatest pleasures in the whole range of out-door recreations.

The breed of horses has been improved to an extent that leaves the famous Arabian steed of yore, that outstripped the flight of the ostrich, far in the distance. This development in speed has been brought to its highest pitch in Harry Bassett, and Wm. H. Vanderbilt's fondly cherished Maud S., now the property of Mr. Robert Bonner. For this immense evolution in speed and staying powers the patrons of the turf are largely indebted to Jerome and Travers.

One of Travers' best *bon mots* was inspired by the sight of the Siamese Twins. After carefully examining the mysterious ligature that had bound them together from birth, he looked up blankly at them and said, "B-b-br-brothers, I presume."

Among Travers' contemporaries, Mr. Charles L. Frost was very well known a few years ago. His specialty was purchasing the junior securities of foreclosed railroads which were supposed to be wiped out, so far as any visible element of value was concerned.

Then, at a time when it was quite inconvenient for the reorganized companies, he would pounce down upon them with some sort of vexatious litigation, and would often levy on the bank balances of these corporations as a part of his proceedings and peculiar methods of management. He was enabled to take such action as they were foreign corporations. In this way he made it exceedingly difficult for these corporations to defend the various suits in law engineered by him, and rendered their existence exceedingly uncomfortable by placing their money in a tight place and cutting off the interest.

These peculiar methods of financiering identified Mr. Frost in a measure with Wall Street men, as a character whom most of the bankers and brokers who had any dealings with him have had good reason to remember feelingly. Frost had bushy, white curly hair, a beardless, full face, and a very red nose, which could only be acquired at considerable expense or as the result of chronic dyspepsia. There is no evidence, however, that he was a victim of this natural malady, so his highly-colored proboscis must be accounted for in some other way.

Mr. Travers met this gentleman one morning by accident in a Fourth Avenue railroad car going down town. Although formerly acquainted, they had not met in years, and

time, as indicated by his white locks, was beginning to tell upon Mr. Frost.

This attracted the attention of Mr. Travers, who cordially shook hands with the old gentleman, and after making a rapid survey of his person, said, “Wh-why, Mr. Frost, wh-wh-what beautiful white hair you have; what a su-su-superb blue n-n-necktie you wear; what a m-m-mag-magnificent red nose you have got. If I had s-s-seen you as I do now in w-w-war times, I should have taken you for a p-p-perfect p-p-patriot, red white and blue.”

The Death of Travers.

The foregoing reminiscences of Travers were written and stereotyped while the great wit and financier was still alive. I have, therefore, not deemed it necessary to recast the matter, but consider it sufficient to add a few of the salient points in Mr. Travers' character and career, with more *bons mots* which the death of this popular man brought out. He died in Bermuda, March 19, 1887. He had gone there in the previous November, where he had a residence of his own, in the hope that the climate might restore him to health, but the malady, diabetes, had got too far ahead, and, in spite of the best medical skill, carried him over to the majority. His wit, like that of Tom Hood, did not forsake him even in his last hours.

While on his death-bed at Bermuda a friend called to see him, and said, "What a nice place Bermuda is for rest and change." Travers replied: "Y-y-yes, th-the waiters g-g-get th-th-the ch-change and th-the h-h-hotel k-k-keepers th-the r-r-rest."

Among Travers' famous hits the following is one of the best: Jim Fisk's zenith of glory and grandeur was in the vicinity of its height when he secured the control of the Boston & Providence line of steamboats. He constituted himself Commodore, and was always on the deck as they departed each day, dressed in a Commodore's attire, and was evidently very much elated in being supreme in command in connection with these magnificent steamboats. Jay Gould was, financially, equally interested with him in the venture, and Commodore Fisk, in his usual splurgy manner, had a large likeness of both Gould and himself hung up at the head of the stairs leading to the large saloon cabin on each of these steamboats. Travers and others, who at that time were leading magnates of the street, were invited to inspect one of these large boats that had been newly fitted up, gilded, and put in magnificent shape, with a band of music on board, etc. Fisk met Travers as he went on board, and volunteered to escort him over the boat to show him its magnificence and superb appointments. As they went up the stairs and came to the first landing, he pointed out the likenesses of Fisk and Gould that were hung there, and asked Travers if he didn't think they were good. Travers replied: "I th-think th-th-they are v-v-very good, b-b-b-but t-to m-make th-th-them c-c-complete, th-there sh-sh-should b-b-be a p-p-picture of our S-S-S-Saviour in th-th-the m-middle."

The last time I saw Mr. Travers down town he called at my office. After he ran his eye over the stock quotations, I said: "The market is pretty stiff, Travers." He said: "Y-yes, it is th-the st-st-stiffness of d-d-death;" and, sure enough, in the course of two or three days afterwards, a big smash took place.

Mr. Travers once said to a friend: “C-come and see me in S-September. If y-you wish I will give you a p-point that will m-make m-money. He wished to do the man a favor in return for a kindly office. Late in the month mentioned the friend dropped into Travers’ office.

“C-come for that p-point?” asked Mr. Travers.

“Certainly,” replied the friend.

“Well, y-you are the luckiest d-dog I know. I p-played that p-point two weeks ago myself and lost a pile of money. Y-you st-stick to m-me l-long enough and c-close enough, and I’ll l-land y-you in the p-poorhouse, sure.”

When “Plunger” Walton was in the height of his prosperity on the turf he met Travers at Saratoga.

“I have been anxious to see you for some time,” said Walton. “I think we can do business together,” he added. “I’ve got good judgment on horses and horse racing, and you have the same on stocks and stock speculation. I’ve made $350,000 on horse races in the last two years. Now, you give me points on stocks, and I’ll give you points on races. Is it a go?”

“Y-you’ve made three h-hundred and f-fifty th-thousand dollars on h-horse racing?” Travers repeated.

“Yes.”

“And you want m-me to g-give you p-points on st-stocks?”

“In exchange for my points on horses. Yes.”

“Well, I’ll give you a f-first rate p-point. If you’ve made that much in two y-years, st-stick to your b-b-business. It is a f-first-rate p-point.”

One day, many years ago, Mr. Travers was standing on the curb of New street, opposite the Exchange, buying some stock from a gentleman whose aspect was unmistakably of the Hebrew stamp.

“Wh-wh-what is your name?” asked Travers.

“Jacobs,” responded the seller.

“B-b-but wh-what is your Christian name?” reiterated Travers.

The Hebrew was non-plussed, and the crowd was convulsed with laughter.

The first time Mr. Travers attempted to find Montague street, in Brooklyn, he lost his way, although he was near the place. Meeting a man he said:

“I desire to r-reach M-montague st-street. W-will you b-be kik-kind enough to pup-point the way?”

“You-you are go-going the wrong w-way,” was the stammering answer. “That is M-montague st-street there.”

“Are y-you mimick-mimicking me, making fun of me-me?” asked Mr. Travers sharply.

“Nun-no, I assure you, sir,” the other replied. “I-I am ba-badly af-flict-flicted with an imp-impediment in my speech.”

“Why do-don’t y-you g-get cured?” asked Travers, solemnly. “G-go to Doctor —, and y-you’ll get c-cured. D-don’t y-you see how well I talk? H-he cu-cured me.”

The fortune left by Mr. Travers has been estimated at $3,000,000. He left three sons, William B. Travers, John Travers, and Reverdy Travers, and five daughters, four of whom are married. His only sister is Mrs. Prince, mother of the late John D. Prince, of Prince & Whitely.

Mr. Travers assisted a large number of young men to go into business, and helped to give the start in life to several of the most successful men in Wall Street.

He was charitable, and his secret beneficences are said to have been numerous. He enjoyed the wealth he had made in a way that should make the majority of millionaires blush with shame at their parsimony. He was a *bon vivant* of the first water. He maintained five domestic establishments on a first-class and luxurious scale, not like a Caligula, merely for his personal gratification or the pride of ostentation, but rather for the development of those social traits of character in which he had few equals, and no superior. The great social pride of his life was to make his friends feel happy. He had one of the best cellars in New York. His table at any of his residences was not only bountiful, but exhibited a menu equal to that at Delmonico’s. His favorite wine was Madeira, of which he was a perfect judge. He was very moderate, however, both in eating and drink, but would have the best of everything despite the cost.

He was a kind and indulgent father, but was pleased to see his boys manifest ample pluck like himself. Apropos of this characteristic, one of his boys came home one day with a big blackened eye.

“W-w-w-where d-d-did you g-g-g-get th-th-that?” inquired the father, anxiously.

“In a f-f-fight, sir,” replied the son, who has a similar impediment in his speech.

“D-d-d-did y-y-you w-w-w-whip the other f-f-fellow?”

“Y-y-yes, sir.”

“Q-q-q-quite r-r-right. H-h-h-here’s a d-d-dollar f-f-for y-you. Always w-w-whip the other f-f-fellow.”

Travers himself was courageous, tall, and sinewy, and in his younger days a great athlete. He was 68 years of age at the time of his death. He was a member of twenty-seven clubs, social, political, and athletic. He was a Democrat in politics. As to his religious belief, I expect if he had been questioned on that he would have given the same answer as another eminent man who cut a great figure in this country: “The world is my country; to do good is my religion.” Travers might have added: “I also wish to be the means of creating and diffusing the greatest amount of social happiness and enjoyment of which humanity is capable.”

I may conclude by saying of Travers, as an eminent author observed of his namesake the divine William, the Bard of Avon, “We ne’er shall see his like again.”

CHAPTER XL.

CHARLES F. WOERISHOFFER.

The Career of Charles F. Woerishoffer, and the Resultant Effect upon Succeeding Generations.—The Peculiar Power of the Great Leader of the Bear Element in Wall Street.—His Methods as Compared with Those Other Wreckers of Values.—A Bismarck Idea of Aggressiveness the Ruling Element of His Business Life.—His Grand Attack on the Villard Properties, and the Consequence Thereof.—His Benefactions to Faithful Friends.

By the death of Charles F. Woerishoffer, Wall Street lost one of the most prominent figures which has ever shown up here. Mr. Woerishoffer died May 9, 1886. His career is one worthy of study by watchers of the course of speculation in this or any other country. The results of his life-work show what can be accomplished by any man who sets himself at work upon an idea, and who devotes himself steadily and persistently to a course of action for the development and perfection of the principle which actuates his life. Mr. Woerishoffer possessed peculiar personal qualities which are denied to most men and to all women. He had the magnetic power of impressing people with confidence in the schemes which he inaugurated; that is to say, he had the power of organization—the same power has made other men great, and will continue to make men great who possess it in all walks of life. Notable instances may be cited in the cases of Bismarck, Gladstone, Napoleon, Grant, and—coming down to Wall Street proper—Gould, Daniel Drew, old Jacob Little and the Vanderbilts, especially the Commodore, in his superior power of aggressiveness.

It has been said of Mr. Woerishoffer that he was fortunate. He was indeed. He was fortunate in the possession of natural ability, and he had the aptitude to take advantage of events, and associate circumstances and the strength of purpose, and to direct, instead of following, the operations with which he became connected. He was the leader of the bear element of the Street—at least he was such during the period which marks his successful operations here. There is no doubt that the death of Mr. Woerishoffer was hastened because of the great strain of mind growing out of his business transactions. There is one point in this connection which has been overlooked by his biographers, namely, that his boldness in the magnitude of his dealings was resultant from a careless

or non-calculative mind. I do not believe that Mr. Woerishoffer ever undertook a speculation of any sort until he had carefully calculated all the chances *pro* and *con*, and his success, remarkable as it was, was largely due to the combination of calculation and the natural development of business conditions, of which he was a close student.

Mr. Woerishoffer's conception of business principles was iconoclastic to an intense degree. As a broker, as a business man, as an operator in stocks, he "believed in nothing;" that is to say, he was a believer in the failures of men, and had no faith in the corporations and enterprises which were organized for the purpose of the development of the best interests of the country in which he lived. There is another view, or another statement of this peculiar feature, of the character of this man which may be given in description, and this is illustrative of the careful study he made of everything passing along in the lines of life with which he was connected. It is this: That Mr. Woerishoffer, by his intimate study of the prospects and probabilities of the projected plans of enterprising Americans, had come to the conclusion that the majority of them must fail, and that the first flush of enterprise would be changed to a darker shade as time progressed. That is to say, he saw and knew a great deal of the organization of the railroad schemes which have marked the growth of our rapid development in a business way, and he judged that the inflated ideas of the projectors must meet with a check as developments were made, and that the earning capacity of the roads would not equal expectations. Hence he sold the stocks, and sold them right and left from the start, and with his followers reaped the profits. Woerishoffer never indulged in the *finesse* of Gould or Henry N. Smith. He had the German ideas of open fight, and he attacked everything indiscriminately, losing money sometimes, but making money at other times, and by his open dash and persistency carried his point.

There is no doubt that the successful career of a man of this sort has a deleterious effect upon those who follow him in succeeding generations. It does not matter how successful the development of the business industries of this country may be hereafter, there will always be found men who will speculate upon the ruination rather than the success of the best interests of the country merely because Charles F. Woerishoffer lived and made a fortune by his disbelief and his disregard of the growth of the institutions of the country which gave him a home.

Woerishoffer was a wonderful example of the sudden rise and steady and rapid progress of a man of strong and tenacious purpose, who adheres with firmness to one line of action or business. He was born in Germany. Woerishoffer's Wall Street career was begun in the office of August Rutten, afterwards of the firm of Rutten & Bond, in which Woerishoffer subsequently became Cashier. He left this firm in 1867, and joined M. C. Klingenfeldt. Mr. Budge, of the firm of Budge, Schutze & Co., in 1868, bought him a seat in the Stock Exchange. Some time after he entered the Board he became acquainted with Mr. Plaat, of the well-known banking firm of L. Von Hoffman & Co.

Mr. Woerishoffer was entrusted with the execution of large orders, especially in gold and Government bonds. At that time the trading in these securities was very large. Afterwards Plaat became an operator himself, and Woerishoffer followed in his footsteps as an apt pupil. Eventually he formed the firm of Woerishoffer & Co., his first partners being Messrs. Schromberg and Schuyler, who made fortunes and retired.

Woerishoffer was connected in enormous operations with some of the magnates of the street; for instance, James R. Keene, Henry N. Smith, D. P. Morgan, Henry Villard, Charles J. Osborn, S. V. White, Addison Cammack, and last, though not least, Jay Gould. He was especially on intimate terms with his great brother bear, Addison Cammack, both speculatively and socially. Besides being a bold operator in the street, Woerishoffer was associated with large railroad schemes, which gave him the inside track in speculation. He was connected with the North River Construction Company, the Northern Pacific, Ontario & Western, West Shore, Denver & Rio Grande, Mexican National, several of the St. Louis Companies, and Oregon Transcontinental. He was originally a rampant bull on these properties until they began to get into trouble, and then he became a furious and unrelenting bear. He smashed and hammered them down right and left. He soon covered his losses, and began to make enormous profits on the short side of the market. On the bonds and stock of the Kansas Pacific, when it became merged in the Union Pacific, it is supposed that Woerishoffer cleared over a million dollars.

Woerishoffer, it seems, was one of the first to propose the building of the Denver & Rio Grande Railroad. On this enterprise he realized immense profits for himself and his friends. The stock rose until it reached 110, and was “puffed” up for higher figures. The public was attracted by the brilliant prospects of immense profits on the long side. Mr. Woerishoffer and friends held large quantities of long stock, but sold out, and afterwards put out a large line of shorts. The bear campaign had Woerishoffer as leader, and, it is said, he succeeded in covering as far down as 40, and some even lower. In 1878, when the market began its great boom on account of the resumption of specie payment and the general prosperity of the country, he organized a combination which bought stocks largely and sold wheat short. On this deal he made large profits, and began to develop into a pretty strong millionaire. He took advantage of the shooting of President Garfield, in 1881, together with his colleagues, Cammack and Smith, to organize a bear raid on a large scale, which was probably one of the chief, although somewhat remote, causes of bringing about the panic of 1884.

The great perspicacity which he had in the deals enumerated failed him in 1885. He thought, as the wheat crop was small, that wheat would go up and stocks would go down, but the very reverse occurred. The disappointment and depression, very probably, resulting from this brought on the aneurism of the heart, which killed the great bear operator, and his death was a fortunate event for Wall Street.

One of the many things which gave Woerishoffer great reputation as a speculator, both here and in Germany and England, was the bold stand he took in the fight for the control of Kansas Pacific against Jay Gould, Russell Sage, and other capitalists, railroad magnates and financiers in 1879. He represented the Frankfort investors, and had engaged to sell a large quantity of Denver extension bonds at 80, to the Gould-Sage syndicate. The syndicate, however, knowing that they had the controlling influence, declared the contract for 80 off, and "came to the conclusion, after examining the road-bed, that the bonds were not worth more than 70," and they would not take them at a higher figure. Woerishoffer then made a grand flank movement on the little Napoleon of finance and his able lieutenants. He seemed to be greatly put out that they had broken their contract, but did not complain very bitterly. He immediately cabled to the English and German bondholders, and soon secured a majority of the bonds which the syndicate wanted, and deposited them in the United States Trust Company. He then informed the syndicate that they could not obtain a single bond under par to carry out their great foreclosure scheme. It was this circumstance that caused Frankfort speculators and investors to come so largely into the New York stock market, and that also made English capital flow in freely, speculators throwing off their former timidity. The amount involved in the Gould-Sage syndicate deal was about $6,000,000 of bonds, thus netting Woerishoffer considerably over a million. This deal at once gave him an international reputation as a far-sighted speculator, and this reputation was gained at the expense of Gould and Sage, owing to their disregard of the contract which had been entered into.

Woerishoffer showed great sagacity as a speculator when Henry Villard put forward his immense bubble scheme in Northern Pacific and the Oregons. Although invited to go into the big deal with other millionaire speculators who had taken the Villard bait so freely, Woerishoffer kept prudently aloof, and looked on the players at the Villard checkerboard with equanimity and at a safe distance. He was not then considered of very much account by the men of ample means who so freely subscribed $20,000,000 to the Villard bubble. At the moment when these subscribers were so highly elated with the idea that the Villard fancies were going far up into the hundreds and, perhaps, the thousands, like the bonanzas during the California craze, Woerishoffer boldly sold the whole line "short." This was a similar stroke of daring to that which James R. Keene had perpetrated on the bonanza kings in the height of their greatest power and anticipations. The Villard syndicate determined to squeeze Woerishoffer out entirely, and for this purpose a syndicate was formed to buy 100,000 shares of stock. There were various millionaires and prominent financiers included in the syndicate. These were the financial powers with which Woerishoffer, small in comparison, had to contend single-handed. The feat that Napoleon performed at Lodi, with his five generals behind him, spiking the Austrian guns which were defended by several regiments, was but a moderate effort in war compared with that which Woerishoffer was called upon to achieve in speculation. He took things very coolly, and with evident unconcern watched

the actions of the syndicate. The latter went to work vigorously, and soon obtained 20,000 shares of the stock which they required. It still kept climbing rapidly, and so elated was this speculative syndicate with the success of its plans that it clamored for the additional 80,000 shares, according to the resolution. The speculators thought they were now in the fair way of crushing Woerishoffer, and with a hurrah obtained the 80,000 shares required, but Woerishoffer's brokers were the men who sold them to the big syndicate. It was not long afterwards that the syndicate felt as if it had been struck by lightning. In a short time the Villard fancies began to tumble. The syndicate was in a quandary, but nothing could be done. It had tried to crush Woerishoffer. He owed it no mercy. The inevitable laws of speculation had to take their course, and the great little bear netted millions of dollars. These events occurred in 1883.

After the Villard disruption, Mr. Woerishoffer became conservative for some time, and was a bull or a bear just as he saw the opportunity to make money. When the West Shore settlement took place he watched the course of events with a keen eye, and was one of the most prominent figures in pushing the upward movement upon the strength of that settlement. His profits on the bull side then were immense. After this he became a chronic and most destructive bear. The reason he assigned for his conversion and change of base was that the net earnings of the railroads were decreasing, and did not justify an advance in prices. He pushed his theory to an extreme, making little or no allowance for the recuperative powers of the country, and the large bear contingent, which he successfully led, seemed to be inspired with his opinions. These opinions, pushed to the extreme, as they were, had a very demoralizing effect upon the stock market, and constituted a potent factor in the depreciation of all values, throwing a depressing influence on speculation, from which it did not recover until many months after Mr. Woerishoffer's death. The great bear had wonderful skill in putting other operators off the track of his operations by employing a large number of brokers, and by changing his brokers and his base of action so often that speculators were all at sea regarding what he was going to do, and waiting in anxiety for the next move. It was considered remarkable at the time that his death had not a greater influence on the stock market than this result proved. If he had died a week sooner, his death might have created a panic, for he was then short of 200,000 shares of stock. His short accounts had all been covered before the announcement of his death on the Stock Exchange.

Woerishoffer was almost as famous for his generosity as James R. Keene. It is said that he made presents to faithful brokers of over twenty seats, of the value of $25,000 each, in the Stock Exchange. He made a present of a $500 horse to the cabman who drove him daily to and from his office. He was exceedingly generous with his employes. A short time before his death, feeling that the strain from over-mental exertion was beginning to tell on his constitution, he had resolved to visit Europe for the purpose of recuperating, but, like most of our great operators, he had stretched the mental cords too far before making this prudent resolve, and he died at the early age of

43. How many valuable lives would be prolonged if they would take needful rest in time! The death of Woerishoffer should be a solemn warning to Wall Street men who are anxious to heap up wealth too rapidly. His fortune has been variously estimated at from $1,000,000 to $4,000,000. He left a widow and two little daughters.

Woerishoffer had simply the genius for speculation which is uncontrollable, irrespective of consequences to others. He had no intention of hurting anybody, but his methods had the effect of bringing others to ruin all the same. He merely followed the bent of his genius by making money within the limits of the law, and did not care who suffered through his operations. All speculation on the bear side involves the same principle. If there is any difference among speculators, it only consists in degree. Large transactions, like those in which Woerishoffer was engaged, are more severely felt by those who have the misfortune to get "squeezed;" but it all resolves itself into a question of the survival of the fittest.

Woerishoffer's success in this country seems strange to Americans, but how much stranger it must have seemed to the people of his native town of Henau Hesse-Nassau, where he was born in 1843, in comparative poverty. John Jacob Astor was one of the first of a considerable number of Germans to find this country a veritable new El Dorado, where peasants' sons, as if by magic, became far wealthier than many of the nobility whom they had, as boys, gazed upon with awe. Who could have foreseen such a career for the poor young German, who came to New York in 1864? He was then in his twenty-first year. He had had some experience in the brokerage business in Frankfort and Paris, but he came here poor. Addison Cammack, who was to become his ally in many a gigantic speculation, was then prominent in the South, where he had favored the cause of the people of his State during the war, and had made a fortune. D. P. Morgan, who was to be another of his speculative associates, had already won a fortune by speculating in cotton in London. Russell Sage counted his wealth by the millions. Jay Gould and Henry N. Smith had gone through the feverish excitement of a Black Friday, and either, in common parlance, could have "bought or sold" the poor young German. Nevertheless, by strange turns in the wheel of fortune, he acquired a financial prestige that enabled him to beard the lion in his den, and snap his fingers at powerful combinations that sought to ruin him. When Henry Villard demanded his resignation as a director in the Oregon Transcontinental Company, on the ground that he had been selling the Villard properties short, the "Baron" (as Woerishoffer was often called) tendered it at once, and flung down the gage of battle in the announcement that he would ruin the head of the Villard system.

Chas. F. Woerishoffer was slightly built, had a light complexion, was under the medium height, and, on the street, might have been taken for a bank clerk. He showed his inborn love of gaming in many ways. He is said to have broken a faro bank at Long Branch twice; he would play at roulette and poker for large stakes. He was kind-hearted

and charitable. At Christmas his benefactions to clerks and messenger boys were notable. In the height of a great speculation he sometimes showed extreme nervousness, but during the memorable contest with the Villard party he exhibited the greatest coolness and composure. He was a curious compound of German phlegm and American nervousness. One of the fortunate events in his career was his marriage, in 1875, with Miss Annie Uhl, the step-daughter of Oswald Ottendorfer, the editor and proprietor of the great German organ of New York, the *Staats Zeitung*, who brought him, it was understood, a fortune of about three hundred thousand dollars.

The following circular to my customers, which I published May 13th, 1886, with special reference to the death of Woerishoffer, and its consequences, I think is worthy of reproduction here:

"The future of the market is going to be a natural one, and will go up and down from natural causes; when this is fully realized there will be no lack of the public taking a hand in it. That element has been crowded out of Wall Street for a long time past, largely due to the fact that its judgment to predicate operations has been sat on by brute force. It has been, therefore, made to feel that the market was not one where it was safe to venture. This brute force power came from Woerishoffer, who has for a long time past been the head and front as a leader on the bear side, and was a gigantic wrecker of values. His method was to destroy confidence and hammer the vitality out of every stock on the list which showed symptoms of life, and his power was the more potential, as all the room traders were converted to believe in him and were his followers. His decease leaves, therefore, the entire bear fraternity without any head, and consequently in a state of demoralization, and in a condition not unlike a ship at sea without a rudder. Mr. Woerishoffer was a genial, hospitable man, lovely in character at his own home, true to his friends and generous to a fault, and will, therefore, be a great loss as a gentleman; but so far as the prosperity of the country goes, his death will be the country's gain. To the fact that Mr. Woerishoffer's power and influence are no longer felt on the market is almost entirely due the change of front of the situation, which is now one of hopefulness. While he lived the public and half the members of the Board were completely terrorized by the fear of him, and were kept in check from being buyers, however much the position of affairs warranted going on the long side. The bull side of the market has had for a long time past to contend with the bold and ferocious attitude of Mr. Woerishoffer. When the bulls felt justified in making a rally and forcing the market to go their way, when it looked most encouraging, as a result of their efforts, Mr. Woerishoffer would strike their specialty a sledge hammer blow on the head; he would repeat that on every attempt that was made, which finally resulted in discouragement. If ten thousand shares were not ample for that purpose, he would quadruple the quantity; in fact, he has often been known to have outstanding contracts on the short side of the market amounting to 200,000 shares of stock at least. As an operator he seemed to be so peculiarly constituted as to know no fear, and would often

turn apparent defeat to success by possessing that trait of character. It will be a long time before another such determined and desperate man will appear on the stage to take his place; in the meantime, it will be plainer sailing in Wall Street, besides safer for operators. Mr. Woerishoffer, as an operator, was full of expedients. He put his whole soul into his operations, and not only would he attack the stock market with voraciousness, but he would manipulate every quarter where it would aid him; sometimes it would be in the grain market, sometimes by shipping gold, and sometimes by the manipulation of the London market. He had all the facilities for operation at his fingers' ends, in fact he commanded the situation to such an extent as to make his power felt. Mr. Cammack, Mr. Woerishoffer's associate, while usually a bear, is a very different man and not to be feared, for that gentleman usually sells stocks short only on reliable information, and always to a limited extent. If he finds that the market does not go down by the weight of sales, he soon extricates himself at the first loss. In this method of doing business lies his safety. In this way he will sell often 10, 20 or 30 thousand shares of stock and make the turn, but will not, like his late friend Woerishoffer, take a position and stand by it through thick and thin, and browbeat the market indefinitely until it finally goes his way. At the present time, therefore, the bulls have no great power to fear whenever they have merit upon which to predicate their operations. The future will be brighter for Wall Street speculators and investors than it has been for a long period, and with the public who may be expected to come again to the front, greatly increased activity should be the result."

CHAPTER XLI.

WOMEN AS SPECULATORS

Wall Street no Place for Women.—They Lack the Mental Equipment.—False Defenses of Feminine Financiers.—The Claflin Sisters and Commodore Vanderbilt.—Fortune and Reputation Alike Endangered.

As speculators, women hitherto have been utter failures. They do not thrive in the atmosphere of Wall Street, for they do not seem to have the mental qualities required to take in the varied points of the situation upon which success in speculation depends. They are, by nature, parasites as speculators, and, when thrown upon their own resources, are comparatively helpless. Although they are able, through craft and subtlety, to rule the male sex to a large extent, yet, when obliged to go alone, they are like a ship at sea in a heavy gale without compass, anchor or rudder. They have no ballast apart from men, and are liable to perish when adversity arises. When some of our strong-minded woman's-righters read this—and I hope for this honor from them—I can imagine certain of them launching epithets of scorn against my head, and even charging me with dense ignorance regarding the history of the great women of the world, and the wonderful achievements of some of them. They will, no doubt, cite Joan of Arc against me; Queen Elizabeth, Catharine of Russia, the unfortunate and beautiful Mary, Queen of Scots, *et al.* Women, in general, rarely summon beautiful women in their own cause, but in this case they will probably do so; for it is a trick of the sex to bring feminine beauty to play as a tramp card when man is the game.

The wife of John Stuart Mill, Mrs. Elizabeth Cady Stanton, Julia Ward Howe, and a host of other great female reformers and revolutionists will, without doubt, be quoted against my theory. Several of the strong-minded novelists and their chief works will be cited to show how unfounded is my charge. Ouida, George Elliot, and George Sand will probably be arrayed in judgment against me. The one answer to all this must be that such women are the exceptional cases, which prove the rule and sustain my theory. Besides, these fair ones, with the exception of Ouida, and, to some extent, Elizabeth Cady Stanton, and possibly, George Sand, have never tried their hands at speculation.

They have excelled in their particular lines, but when all their secret history is known, it will be found that men were the source of their inspiration. I am aware that the opposite theory is held, through false gallantry; but the chivalrous knights who credit the fair sex with more speculative brains than they possess are in a petty minority, and will always remain so as long as men have manhood enough to decide according to their judgment instead of their emotions.

Fact is the best test on this question, and I will recite a few facts in the history of some of the female speculators of Wall Street, quite aware that I touch a very delicate subject. The namby-pambyism and the pseudo "gallantry" now so prevalent, are generally opposed to any fair statement in regard to woman's real financial capacity, and, worse than all, woman's true interests and functions are greatly aspersed and prejudiced by these false sentiments. When carried away, as she so often is, by the insidious flatteries of man and the showy frivolities of fashion, a woman is rendered temporarily blind to these important facts; but, in the exceptional instances, where she reasons calmly and reflects prudently, she pays the greatest respect to those of our sex who dispense plain advice and blunt opinions. Dudes and designing flatterers may revel for a time in their conquests, but the opinions of men of judgment, honesty and virtue will eventually triumph with those of the other sex who are most discerning.

Let me, then, illustrate my estimate of women as speculators by a few of the more prominent examples I have known in Wall Street, who have essayed to make a fortune after the manner of men. I shall take up the present Lady Cooke and her sister, Mrs. Woodhull. Lady Cooke has now a virtual "castle in Spain," or rather in Portugal, besides one of the most elegant mansions in London. My knowledge of the history of those sisters and their financial relations and business connections with the late Commodore Vanderbilt, go to illustrate the fact very clearly that the cleverest women cannot be successful in Wall Street; and if this is so, where will the ordinary female be found when she essays the role of an operator?

The notorious firm of Woodhull, Claflin & Co., in their peculiar combination, included Commodore Vanderbilt. I shall say something about their methods of operation before touching upon the history and biography of the two sisters, which is remarkable in the extreme. Very soon after the Commodore had aided to set these two women up as brokers, in Broad Street, the firm was known all over the land. The present titled Lady Cooke was then plain Tennie C. Claflin, and she was plain in every sense of the word, excepting in face, which certainly was quite pretty. She had, however, less personal magnetism than her celebrated sister, Victoria C. Woodhull, but doubtless made more impression on a well-known journalist of this city and upon the Commodore than any one else, until she met Sir — Cooke. Tennie was rather phlegmatic in temperament, and could therefore exercise but little influence over the ordinary man, but she was cool and

calculating, and had evidently more brain than she seemed to possess. She could wear a winning smile, but it was manifestly put on for the occasion.

I recollect her calling at my office one afternoon. After the usual interchange of civilities, she told me she wished to deposit a check for $7,000. The check was signed by the wealthiest man in Wall Street, and was promptly accepted by my cashier, and duly credited. A few days after this event, Miss Tennie drove up to my office in a cab. She wore a look of enthusiasm and pleasant surprise. In her countenance one could read at a glance that she had a heavy thought to divulge. So she said she had a "point." I don't care for "points" as a rule, but I was bound by all the laws of chivalry and business courtesy to give the lady a respectful hearing, and I did. The point had emanated from a very high source, and for that reason, also, was entitled to respectful consideration. The charming Tennie wanted to buy 1,000 shares of New York Central. Though always on the alert for business, I was not then at all anxious to execute the lady's order. I received Miss Claflin with all due respect, and without giving her any intimation that I perceived, by my peculiar inspiration, "the gentleman in the fence," I tapped my little bell, to which my office messenger responded. "Tell the cashier," I said, "to make out Miss Tennie Claflin's account." This was simply the work of a few minutes, and Miss Tennie was instantly furnished with a check, including interest for the time of deposit. Miss Claflin bowed herself out, and I heaved a sigh of relief, and thought that everything was over so far as that check was concerned. But I was slightly mistaken.

Tennie went to the Fourth National Bank immediately, and presented the check. She returned to my office in a few minutes afterwards. P. C. Calhoun was then President of the Fourth National. When Tennie returned, she said, "Mr. Clews, the bank wishes to have me identified." I called a boy and told him to accompany Miss Claflin to the bank, and identify her as being entitled to the amount of the check. This sealed her credit for that amount at the bank, owing to which I obtained the rather doubtful distinction of having been made the medium of largely aiding to establish the firm of Woodhull & Claflin in Broad street. Myself and the Fourth National Bank were said to have been the "sponsors" for this consummation. As soon as I ascertained how my name was being connected with those ladies, I had a private interview with the President of the Fourth National, which prevented Tennie from using my name to a great extent thereafter. I have never attempted to take any credit to myself for this affair, but there is one thing evident, and that is, that I did not get euchred in the matter. The Commodore was then regarded as the power behind the throne, or behind the fair sex. If the sisters had any scheme in the background (and I have reason to believe they had,) I did not get caught in it.

Far be it from my purpose to insinuate that these celebrated "sisters" are a sample of all the women who intrude into speculative circles. These facts, however, show by what sort of methods two of the most notorious female speculators of these times gained their success. It would be an aspersion on womanhood to suppose that many women would

be found willing to resort to like methods; but it is safe to say that, as a rule, women can have little other hope of success than by using their blandishments to win the attentions and the services of the other sex. There are doubtless exceptions to this rule, as in the case of Mrs. Green, whose unaided sagacity has placed her among the most successful of our millionaire speculators. She is, however, made up of a powerful masculine brain in an otherwise female constitution, and is one among a million of her sex.

If women are fortunate enough to escape being fleeced when they enter Wall Street, it can only be from extraordinary luck, or from the protecting counsel of their brokers, or from compassionate indulgence shown to them when swamped by their losses. My own experience shows that when they lose their money—as they usually do—they are by no means sparing in their pleas for consideration; and this fact shows that women who aspire to this path to fortune are not usually endowed with the self-respect, the modesty and the independence of masculine favors which characterize all high-minded women. In truth, this is so well understood among the habitués of Wall Street, that while a woman who frequents brokers' offices is not likely to find any lack of attentions, yet she is sure to lose caste among those who bestow such gallantries. In a word, Wall Street is not the place for a lady to find either fortune or character.

The explanation given by Mrs. Victoria Woodhull —— is somewhat different from the statement herein made by me in reference to the establishment of the brokerage firm, run ostensibly by the famous sisters; and as this celebrated lady shows in some of her recent utterances that she has done so much for humanity, truth, and financial reform, her statement is entitled to fair presentation. I shall, therefore, give it in full. It is as follows:

"The first move my sister and I made in this direction was to establish a banking and brokerage office in Broad street. This step we were induced to take with the view of proving that woman, no less than man, can qualify herself for the more onerous occupations of life. So startling was this innovation that the whole city of New York was aroused, and when we entered the precincts of Wall and Broad streets they were blocked with crowds of people until the novelty wore away. But to-day women can establish themselves in any business, enter any avenue of life that they are qualified through education to fill, either political, financial, scientific, medical or mechanical, so great is the advance. At that time, as some of the New York papers said, everything, to the external view, was at the height of prosperity. But we exposed, in our *Weekly*, one nefarious scheme after another when we realized that companies were floated to work mines that did not exist, or that, if they did exist, had nothing in them, and to make railways to nowhere in particular, and that banks and insurance societies flourished by devouring their shareholders' capital. The papers of 1872 said that in one year we had exposed and destroyed nearly every fraudulent scheme that was then in operation—railroad swindles and the banking houses which were palming them off on the public.

Life insurance companies were reduced from forty to nineteen for the whole country; the Great Southern bonds and the Mexican Claim bubbles collapsed. More than one tried to buy our silence, and when their money was refused they turned and charged us with levying blackmail, and, losing in their rage and fear all sense of honor, said that we were immoral women or we would not have commenced such an undertaking. Other papers took up the warfare. It brought about a great revolution in financial matters, but it made us many bitter enemies, for we were the first to put ourselves into the breach."

I shall make no attempt to contradict the bold statement of the lady, but simply quote it for what it is worth, leaving the inference to the reader, as the novelistic phrase goes, but I do hold that the very result of the experiment to which she alludes is one of the strongest and most cogent arguments in favor of my theory, that women are not qualified by nature for the speculative and financial operations in which so many men have made their mark. Even the few apparent exceptions to the rule have been sad failures compared with the achievements of the male sex in this department of human enterprise. "Jennie June," the able and accomplished wife of Mr. Croly, the well-known journalist, has essayed the speculative role, but she has not been very successful. When women such as these have failed what can the ordinary female expect? Well, I think they had better abide by the advice of St. Paul in regard to women speaking in the church. Let them say or do nothing in the peculiar line for the pursuit of which they are evidently disqualified, but if they want to know anything, "ask their husbands at home." Those who have not yet obtained husbands may ask their fathers, brothers or lovers, and if they do so they will often be saved a world of trouble.

There has recently been a curious craze in the ranks of young ladies as well as among married women for speculation, many of them thinking they could make a fortune in a few days, weeks or months, and it is nearly time that this speculative mania should be checked or stopped. Maidens of uncertain age have probably been foremost in leading this movement, and through their influence many estimable ladies have been induced to bring financial trouble upon their husbands and families. Many of the woman's righters think that it would be a glorious thing to follow in the footsteps of Victoria Woodhull ——, whom they imagine to have been a success in that line of business; whereas she was a sad failure. Women as brokers have singularly failed in every known instance of experience. Victoria W. has been much more successful as an investor than a speculator, and the best investment of her life was that of her last marriage. There she made a decided hit. Perhaps, her Wall Street experience may have assisted her, in a great measure, to accomplish this feat. Compared with her two former marriages, however, her happy union with the foreign banker is a decided success. It is probably only in the matrimonial line that women can become successful speculators.

Now, I shall attempt to give some reasons, with all due respect to the fair sex—and without trying to lower them in the estimation of men—why those dear creatures, so

necessary to our happiness in many other respects, are not by nature, nor even by the best possible education, qualified to become speculators. Women are too impulsive and impressionable. Although they often arrive at correct conclusions in the ordinary affairs of life with amazing rapidity, they don't reason in the way that is indispensable to a successful speculator. They jump to a conclusion by a kind of instinct, or it may be a sort of inspiration, on a single subject or part of a subject, but they are entirely unable to take that broad view of the whole question and situation which the speculator has to seize at a glance, in the way that Jacob Little, the elder Vanderbilt, or Daniel Drew could have done, as I have described in other chapters. Gould possesses many of these qualities, though he has never been a speculator like the others, in the ordinary and true sense of the term, but, as I have clearly shown in another place, made his great fortune by putting two or more wrecked railroads together and making others believe they were good, and selling out on them afterwards, and not by legitimate speculation or investment.

Women who have hitherto engaged in speculation have not yet shown that they are capable of generalizing the causes which affect the market as these kings of finance have done, nor have they illustrated that they are possessed of the ability to foresee financial events in the same way. Some people may think that Mrs. Hettie Green may be an exception to the rule, but, without attempting to detract from the abilities of this eminent and wealthy lady, I hardly think she has the mental power of any of the great operators whom I have named, and though it must be admitted that she has done some fine work in manipulating Louisville & Nashville, I am of the opinion that she would fall very far short of leading a bear attack on the market like any of those for which the late Charles F. Woerishoffer was famous, and in organizing a "blind pool" she would stand no show against Gould, Major Selover, Addison Cammack or James R. Keene.

Lady Claflin Cook, formerly Tennie C. Claflin, or "Tennessee," as she was baptized, though she had not the intellectual ability of her sister Victoria, appeared to exercise more influence over Commodore Vanderbilt on account of her greater capacity as a spiritualistic medium. In his latter days, as is well known, the Commodore was an implicit believer in Spiritualism, and considered it expedient to consult mediums in the same way that the ancient Greeks and Romans went to their oracles, before engaging in any great enterprise. It is not generally known that the fallacy of Tennie's mediumistic powers was exposed by the Christian Brothers, and her usefulness to the Commodore considerably impaired thereby in his estimation. This came about through the influence of Mrs. Claflin, the mother of the celebrated sisters. Her superstition ran so high that she imagined her daughters were possessed of evil spirits through the power of Colonel Blood, Victoria's second husband. The holy men received due credit for exorcising the spirits, thus freeing the sisters from this mysterious thraldom, and Victoria from Blood. Her great prosperity and that of her sister began from this date, and at the beginning of the celebrated case on the part of "young Corneel" to break the Commodore's will the

sisters suddenly took a trip to England, lest they might be called as witnesses. It was a lucky day for them, and their speculative career is probably now closed. This is the kind of speculation for which women are best fitted. The introduction to this great "deal" came through Wall Street indirectly, but it does not prove by any means that women can be successful operators in speculative transactions and financial investments. It simply shows that they are excellent in adventures where their emotional feelings are brought to bear upon the weaker characteristics of men.

CHAPTER XLII.

WESTERN MILLIONAIRES IN NEW YORK.

Eastward the Star of Wealth and the Tide of Beauty Take their Course.—Influence of the Fair Sex on This Tendency, and Why.—New York the Great Magnet of the Country.—Swinging Into the Tide of Fashion.—Collis P. Huntington.—His Career from Penury to the Possessor of Thirty Millions.—Leland Stanford.—First a Lawyer in Albany, and Afterward a Speculator on the Pacific Coast.—Has Rolled Up Nearly Forty Millions.—D. O. Mills.—an[**An?] Astute and Bold Financier.—Courage and Caution Combined.—His Rapid Rise in California.—He Makes a Fortune by Investing in Lake Shore Stock.—Princes of the Pacific Slope.—Mackay, Flood and Fair.—Their Rise and Progress.—William Sharon.—A Brief Account of His Great Success.—Wm. C. Ralston and His Daring Speculations.—Begins a Poor New York Boy, and Makes a Fortune in California.—John P. Jones.—His Eventful Career and Political Progress.-"Lucky" Baldwin.—His Business Ability and Advancement.—Lucky Speculations.—Amasses Ten or Fifteen Millions.—William A. Stewart.—Discovers the Eureka Placer Diggins.—His Success as a Lawyer and in Mining Enterprises.—James Lick.—One of the Most Eccentric of the California Magnates.—Real Estate Speculations.—His Bequest to the Author of the "Star Spangled Banner."—John W. Shaw, Speculator and Lawyer.

Not a few Western men of wealth have in recent years taken up their abode in New York. This is partly, and doubtless largely, due to the influence of ladies. The ladies of the West of course have heard of Saratoga, the far-famed spa of America, and as the fortunes of their husbands mount higher and higher into the millions, they become more and more anxious to see this great summer resort of wealth and fashion. Their influence prevails, and at the height of the gay season they may be seen at the United States or the Grand Union. They are in practically a new world. There is the rustle and perfume, the glitter and show, the pomp and circumstance of the more advanced civilization of the East, and the ladies, with innate keenness, are quick to perceive a marked difference between this gorgeous panorama and the more prosaic surroundings to which they have been accustomed. As people of wealth and social position, they are naturally presented to some of the society leaders of New York, whom they meet at Saratoga, and who extend an invitation to visit them in their splendid mansions in the metropolis. In New York the Western ladies go to the great emporiums of dry goods and fancy articles of all sorts, to the famous jewelry stores, and other retail establishments patronized by the

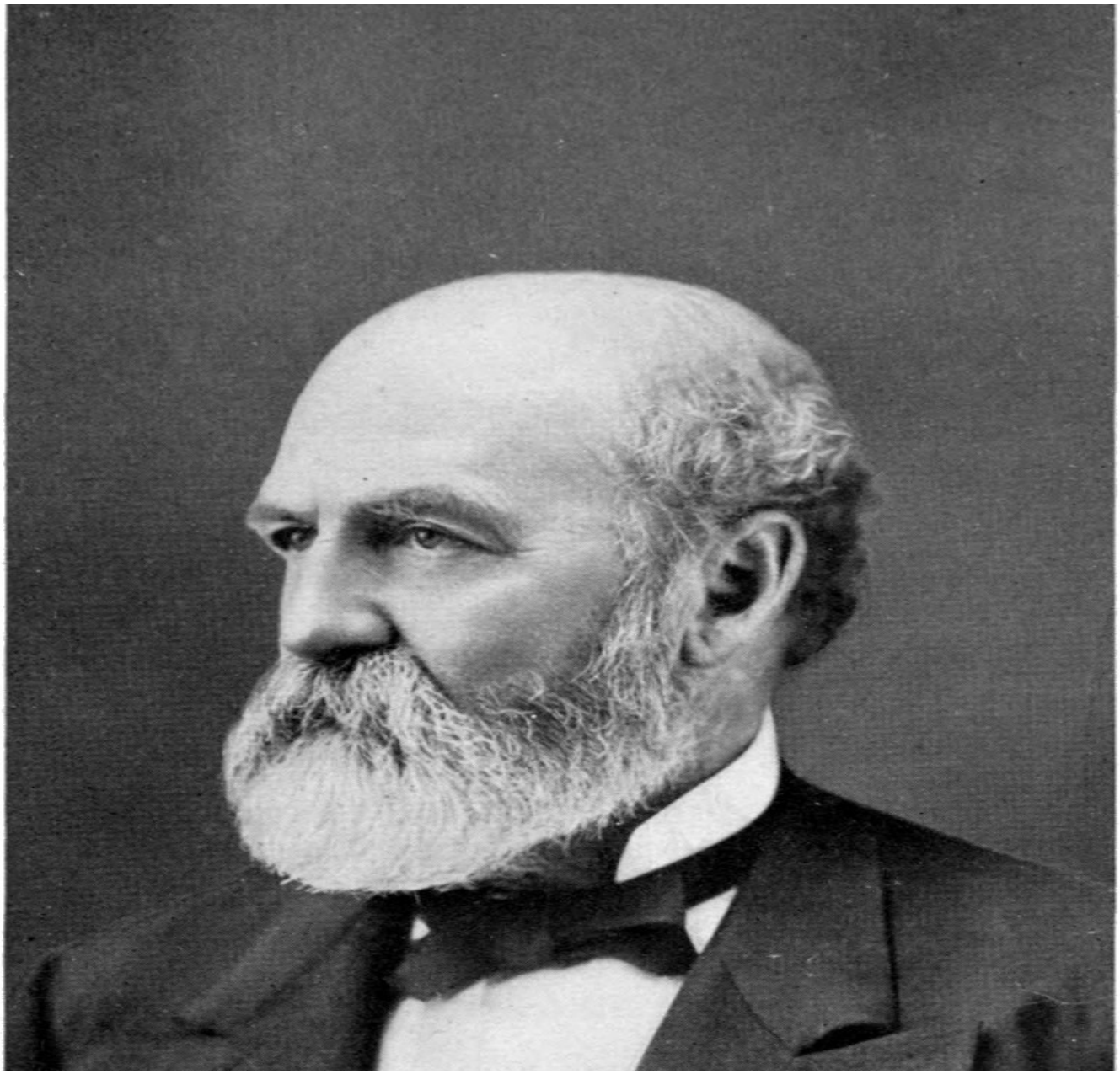
wealthy. They form a taste for all the elegancies of metropolitan life, and this is revealed in a hundred little ways.

They have been accustomed, for instance, to wearing two buttoned gloves, but now, in emulation of their New York sisters, they must have them up nearly to the shoulder. Their dresses of Western make do not bear comparison with the superb toilettes of New York ladies, and so they seek out the most fashionable modistes in the city, and the change in their appearance is as marked as it is favorable. The innate refinement and love of elegance which is so striking a characteristic in most American women is exemplified, perhaps, in no respect more strikingly than in their taste in dress, and the Western ladies soon require the finest French silks for their dresses. They must have the most expensive real lace; their toilettes must be numerous, rich, and varied, and the refinements of other articles of dress or ornament to which American women have attained may well astonish and even awe the masculine mind.

In a word, people of wealth are apt to be drawn to New York because it is the great magnet of the country, whose attractive power is well nigh irresistible. What London is to Great Britain, what Paris is to the Continent, what Rome was in its imperial day to the Empire, what proud old Nineveh was to Assyria, the winged lion of the Orient; what Tyre was to old Syria, whose commercial splendor aroused the eloquence of the Hebrew prophet—New York is to the immense domain of the American Republic, a natural stage, set with innumerable villages, towns, and populous cities, with mighty rivers and vast stretches of table-lands and prairies, and far-reaching harvest fields and forests, for the great drama of civilization on this Continent. New York has now a population of approximately 1,500,000. By the close of the present century it will certainly reach 2,000,000, and the next century will see it increase to perhaps ten times that number. The great metropolis attracts by its restless activity, its feverish enterprise, and the opportunities which it affords to men of ability, but in the connection which I am now considering more particularly it attracts as an enormous lode-stone by its imperial wealth, its Parisian, indeed almost Sybaritic luxury, and its social splendor.

New York city has more wealth than thirteen of the States and Territories combined. It is really the great social centre of the Republic, and its position as such is becoming more and more assured. It will yet outshine London and Paris. Go where we may throughout the country, see what cities we may, there is always something lacking which New York readily affords. There is emphatically no place like New York. Here are some of the finest stores in the world, and mansions of which a Doge of Venice or a Lorenzo de Medici might have been proud. Here are the most beautiful ladies in the world, as well as the most refined and cultivated; here are the finest theatres and art galleries, and the true home of opera is in this country; here is the glitter of peerless fashion, the ceaseless roll of splendid equipages, and the Bois de Boulogne of America, the Central Park; here there is a constant round of brilliant banquets, afternoon teas and

receptions, the germans of the elite, the grand balls, with their more formal pomp and splendid circumstance; glowing pictures of beautiful women and brave men threading the mazes of the dance; scenes of revelry by night in an atmosphere loaded with the perfume of rare exotics, to the swell of sensuous music. It does not take much of this new kind of life to make enthusiastic New Yorkers of the wives of Western millionaires, and then nothing remains but to purchase a brown stone mansion, and swing into the tide of fashion with receptions, balls, and kettle-drums, elegant equipages with coachmen in bright-buttoned livery, footmen in top boots, maid-servants and man-servants, including a butler and all the other adjuncts of fashionable life in the great metropolis. It is of interest to glance at the career, by the way, of some of the more famous financial powers of the West, who have either settled of recent years in New York or who are frequently seen here.



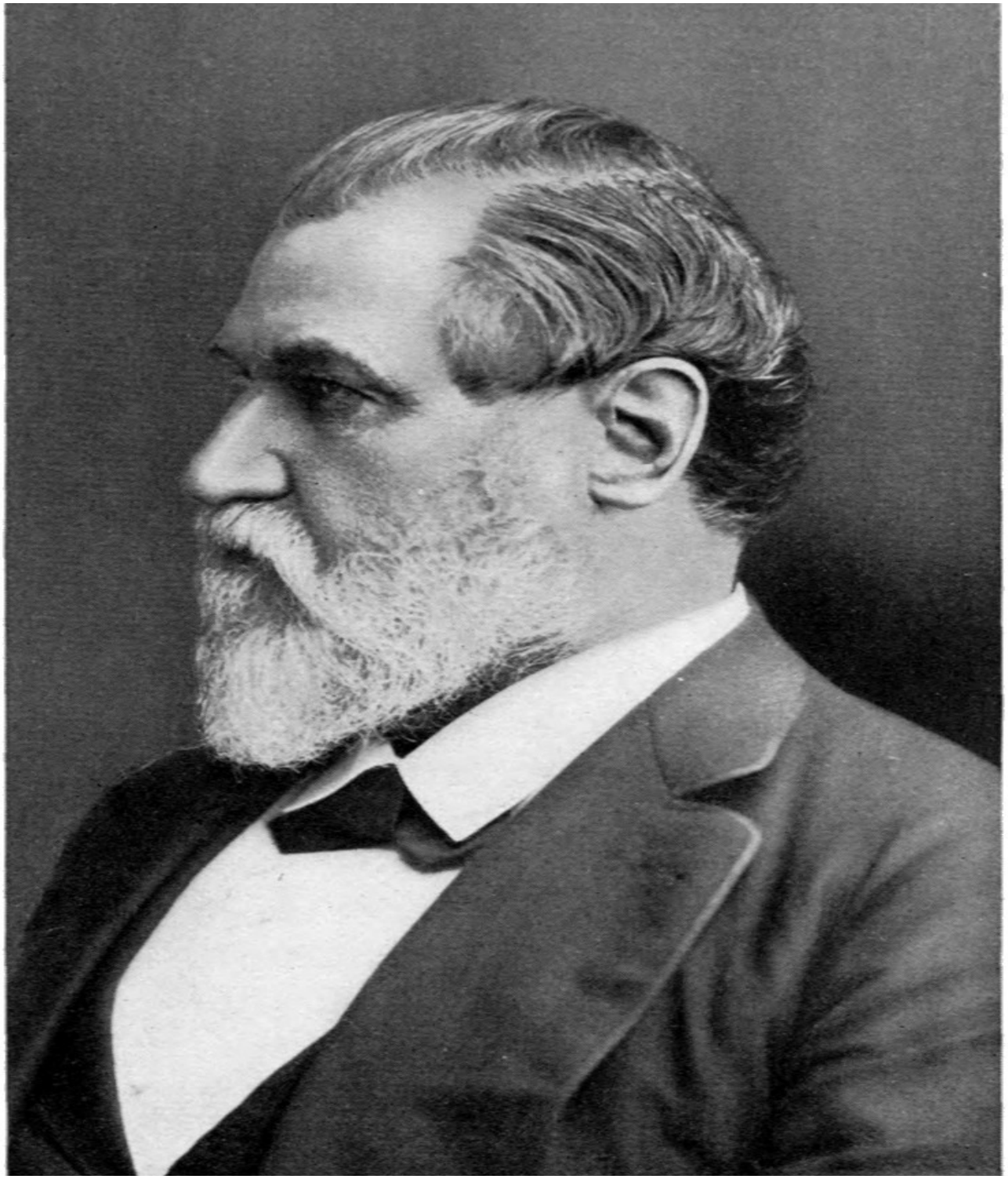
C P. Huntington

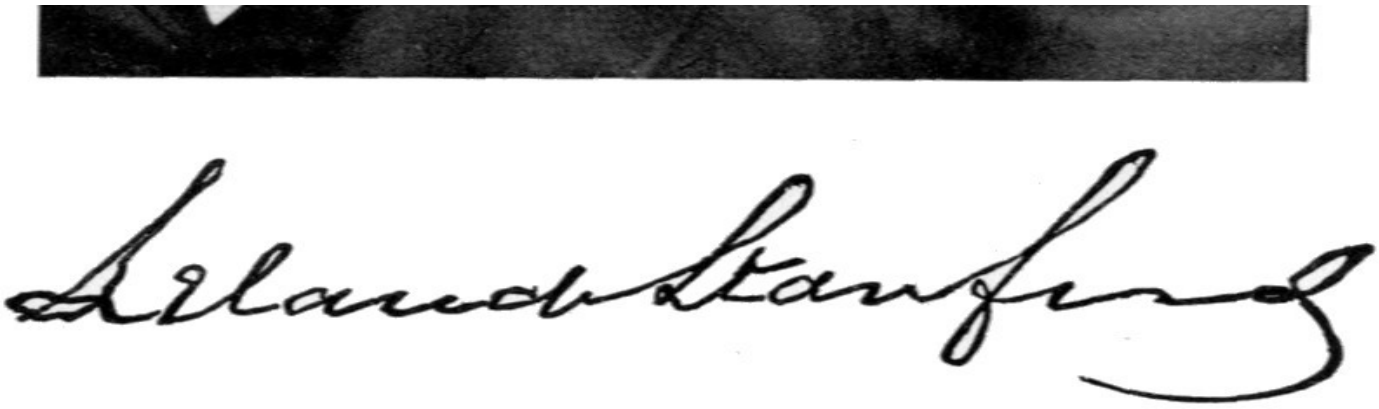
COLLIS P. HUNTINGTON.

One of the financiers who may be seen daily entering the palatial Mills Building in Broad street, New York, is a tall, well-built man, with a full beard tinged with gray, a square, resolute jaw, and keen bluish-gray eyes. Though now in his 66th year, his step is light and quick, betokening good habits in his youth and due care of himself in his later years. He is one of the best known of American financial chieftains. It is Collis P. Huntington. He is a born leader of men. As a boy of 15 he came to New York, with scarcely a penny. Now he is worth thirty million dollars. He was born October 22d, 1821, at Harwinton, in Litchfield county, Connecticut. He numbers among his ancestors Samuel Huntington, one of the signers of the Declaration of Independence, who was also President of the Continental Congress and Governor and Chief Justice of Connecticut; and also Bishop F. D. Huntington and the artist Daniel Huntington. C. P. Huntington's father was a farmer and small manufacturer, in his fourteenth year Huntington left school and asked his father to give him his time on condition that he should support himself. He came to New York in the following year, 1836, and bought a small bill of goods, a neighbor of his father's becoming his surety. At that early age he showed the same shrewdness in business, the same energy and resolution in carrying through his projects as he did in later life. At twenty-three he settled at Oneonta, Otsego county, New York, as a general merchant. In 1844 he married a Connecticut girl, who proved a valuable helpmeet in days when it was never supposed he would ever attain any particular financial distinction. In March, 1849, he sailed for San Francisco, going by way of the Isthmus, and following a consignment of goods which he had made in the previous year. He was now in his 28th year, and a future full of marvellous success awaited him. This was not immediately apparent, however. Business success is not usually attained without long and persistent efforts, and in spite of repeated discouragements. He found San Francisco at that time a resort merely for the idle and the reckless. It did not prove at this particular juncture a satisfactory field for his business; his funds ran low, and he determined to go to Sacramento. He earned his passage money thither on a schooner, by helping to load her for a dollar an hour. In Sacramento he started in business, after a time, with a small tent as a store, and a limited supply of general merchandise as his stock in trade; he worked hard; he labored early and late. Here he met Mark Hopkins, and they formed a business co-partnership, which proved so successful that by 1856 the firm was known as one of the wealthiest on the Pacific slope. California, however, was isolated. It was a long trip over the plains by wagon trains to the nearest point of commercial importance east of the Rocky Mountains, and the ocean voyage by way of the Isthmus of Panama was long and slow. A railroad to the East was imperatively needed, in order to develop the enormous

resources of the broad territory lying west of that natural barrier known as the Rocky Mountains. But how to bring it about was the question. Few were daring enough to seriously grapple with the problem. It was in the store of Huntington & Hopkins that the project was first considered with a resolute purpose to push it through. The Civil War, however, broke out just then, and the first gun fired on Fort Sumter seemed like the knell of this great project. Collis P. Huntington was undaunted. "I will," he says, "be one of the eight or ten, if Hopkins agrees, to bear the expense of a careful and thorough survey." The result was that seven gentlemen agreed to defray the expense of such a survey. Two subsequently ceased to give their aid. The remaining five organized the Central Pacific Railroad Company. Mr. Huntington at once went to Washington to secure Government aid in constructing the first trans-continental railway. He was successful. When the Pacific Railroad bill was passed he telegraphed to his partners with characteristic humor and terseness: "We have drawn the elephant." He at once came to New York to form a syndicate to take the bonds. Many at such a time would have gone to speculators begging for aid and pledging his bonds for railroad material with which to commence the great line. He did nothing of the kind. The French saying, "*Toujours de l'audace*," seemed to be his maxim. He was always bold. He coolly announced that he would not dispose of his bonds except for cash, and, strange as it may have seemed, he capped the climax by refusing to sell any at all unless $1,500,000 worth were taken. He was again successful, but the purchaser required more security. Thereupon Mr. Huntington made himself and his firm responsible for the whole amount. It was thus on the pledge of the private fortunes of Mr. Huntington and his partner that the first fifty miles of the road were built. After a time, however, funds ran low; it seemed inevitable that the number of laborers should be reduced. Certainly more means were necessary. At that time the Government held the first mortgage on the road, and no Government subsidy bonds were obtainable until a section of fifty miles of the road had been completed. Huntington and Hopkins stepped into the breach, and agreed to keep five hundred men at work for a year at their private expense, and three other gentlemen agreed to furnish three hundred men for the same length of time. This resolution ended their troubles; the road was built through to a connection with the Atlantic seaboard, and trans-continental transportation became a fact and no longer a dream. Mr. Huntington came to New York again, and here he now resides in a fine mansion on Park avenue. He is still a hard worker, but after business hours he dismisses as far as possible the cares of his financial functions. Among the railroad systems controlled and operated by him and his associates, the executive conduct of which is largely directed by himself, are the Central Pacific, the Chesapeake & Ohio, the Trans-Mississippi roads, and the Southern Pacific, making a total of nearly eight thousand miles of line. He is also heavily interested in roads in Mexico and Central America and steamship lines plying to the Chesapeake Bay, to Brazil, China and Japan and other parts of the world. Directly or indirectly he has thirty thousand men under him. In business he is an autocrat; his manner is quick and decisive; he is direct in his speech, and expresses himself with force when

he says anything. He also knows when silence is golden. He is a good story teller, and has a large fund of anecdotes; he has original wit, a store of quaint, homely sayings, which are often singularly apt. Sitting in his office chair, with a black skull cap, which he usually wears in business hours, pushed back on his head, he has an open, jolly, unassuming look, and the stranger would hardly take him for one of the uncrowned financial kings of this country. He is one of the few men in this country who have shown themselves more than a match for Jay Gould.





Leland Stanford.

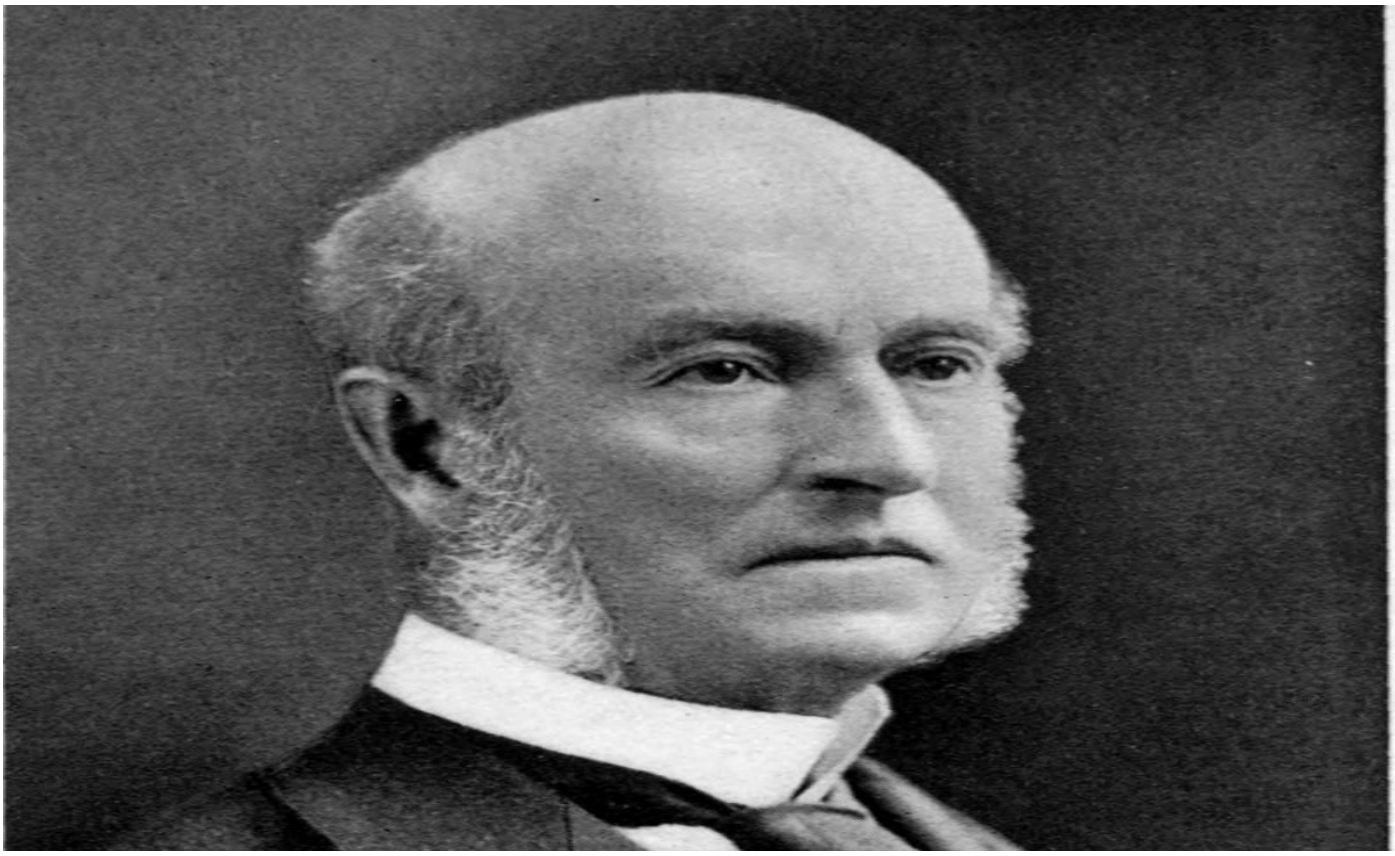
Leland Stanford.

Leland Stanford, one of California's United States Senators, is worth from thirty to forty million dollars. He was born in Albany county, New York, March 9, 1824. He received an academical education and entered a law office in Albany in 1846, and, after three years' study, was admitted to practice law in the Supreme Court of the State of New York. He removed to Port Washington, in the northern part of Wisconsin, and there engaged in the practice of his profession for four years. In 1852 fire destroyed his law library and other property, whereupon he went to California and became associated in business with his three brothers, who had preceded him in seeking fortune on the Pacific Slope. His first business venture was in Michigan Bluffs, but in 1856 he removed to San Francisco to engage in business enterprises on a large scale. His business at one time, it seems, was in oil, and, later, in various manufacturing and agricultural ventures. He was elected Governor of California in 1861. He insisted upon being inaugurated as provided by the State constitution, at the Capitol building, though the locality was under water by reason of floods. He became President of the Central Pacific Railroad and superintended its construction over the mountains, building 530 miles of it in 293 days. He was elected as a Republican to the United States Senate in 1884, and his term does not expire till 1891. He is still the President of the Central Pacific Railroad and of several of its associated lines, while he is a director in others. He owns a princely domain in California, known as Palo Alto ranch, comprising six thousand acres, which he has devoted to the site of an Industrial University for both sexes, as a memorial of his only son, who died some years ago. He has richly endowed this great educational institution, setting aside for it about ten million dollars. Here both sexes will be fitted to fill a useful part in the battle of life; they will be instructed in mechanical arts and agricultural as well as in other branches of education, which will start the student fairly in life. He found, as President of the Central Pacific Railroad Company, that many bright young men of collegiate education were not specially fitted for any particular work in the great school of life, and those who are familiar with great cities know that thousands of men have really wasted their years in obtaining a collegiate education which never enabled them to earn more than barely enough to live upon. They become, in many cases, ill-paid book-keepers, entry clerks, salesmen, car conductors, postmen, and sometimes find themselves obliged to turn their hands to hard manual labor, or else starve. Senator Stanford's beneficent plan, then, of giving the young such a practical education that they can face the world with confidence and with a reasonable certainty of remunerative employment, or with the requisite knowledge to guide them in enterprises of their own, is worthy of the highest commendation, and his example is likewise worthy of the emulation of gentlemen with millions to spare in all parts of the

country. If Samuel J. Tilden had endowed a university of this kind he would have been a far greater benefactor in many respects than he has undoubtedly shown himself in his will. Governor Stanford's great ranch, which is to become a seat of learning, is situated about 32 miles from San Francisco, and promises to be the educational Mecca of the Pacific Slope. His fortune, notwithstanding this princely donation, is still enormous, amounting to twenty-five or thirty million dollars.

Darius O. Mills.

One of the most notable figures daily seen on Wall Street is a man about five feet nine inches in height, with handsome, florid features and a firm jaw, indicative of great decision of character. He is now about fifty eight years of age, and is as industrious and energetic as when he began his eventful career. It is Darius O. Mills. He is one of the most astute and one of the boldest financiers in this country. He has the courage of a Richelieu, joined to that famous statesman's caution and conservatism when the march of events requires it. Of the California magnates he is one of the most notable. In New York he has taken the highest rank, socially and financially, of them all. As I have intimated, he is bold, and yet, on occasion, he wisely acts upon the maxim that discretion is the better part of valor. He was born in a small town on the Hudson River, in this State. Before the California gold excitement broke out he and his brother were in the hotel business. He has always been dependent on his own exertions; he has fought his way to opulence, such as a prince might envy, by his own keen intelligence and undaunted enterprise. He began in humble circumstances. To-day he is worth twenty millions. He is a permanent resident in the metropolis, and is regarded as one of New York's best and most influential citizens.



D. O. Mills

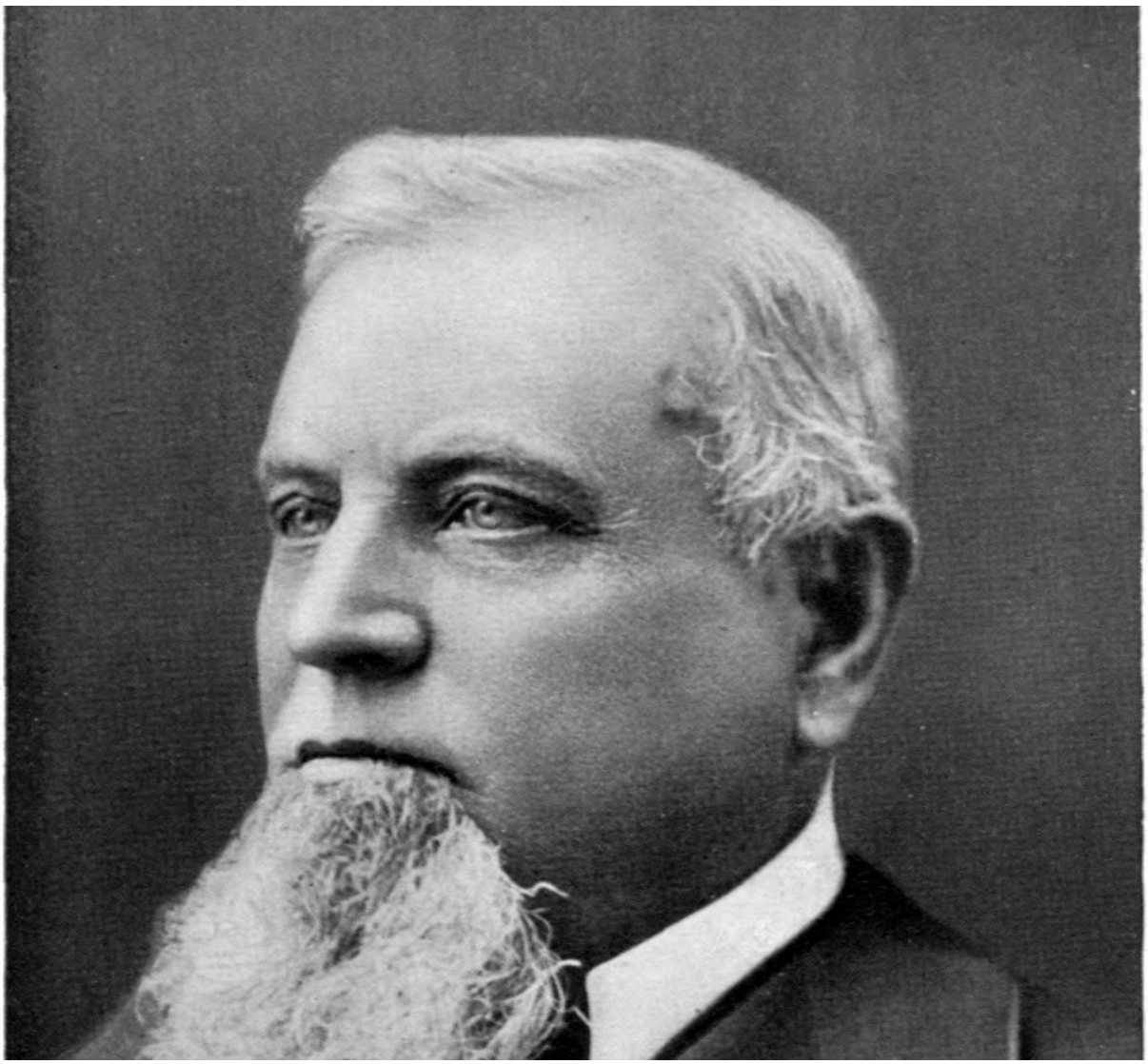
He laid the foundation of his vast wealth in California. On the breaking out of the gold fever he and his brother left their native town for the fields of adventure, where men of shrewd foresight and determined courage achieved a success stranger than the wonders of a Persian tale. The brothers did not trust to luck. They chartered a sailing vessel, loaded it with commodities likely to be in demand among the miners, and then sailed for the Golden Gate *via* Cape Horn. After a narrow escape from shipwreck they arrived at San Francisco and at once opening a store, they sold their merchandise to the eager miners at fabulous prices. D. O. Mills rapidly accumulated wealth, and when Wm. C. Ralston organized the Bank of California, he became its President. During the time that Mr. Mills gave his attention to the Bank of California it was the most successful institution of a similar character in this country, but when he decided to remove to New York his connection with the great bank was severed. Disaster came under Ralston's administration. Mr. Mills had continued to be a stockholder, and when a financial hurricane struck the bank, he was quick to go to the rescue. He contributed

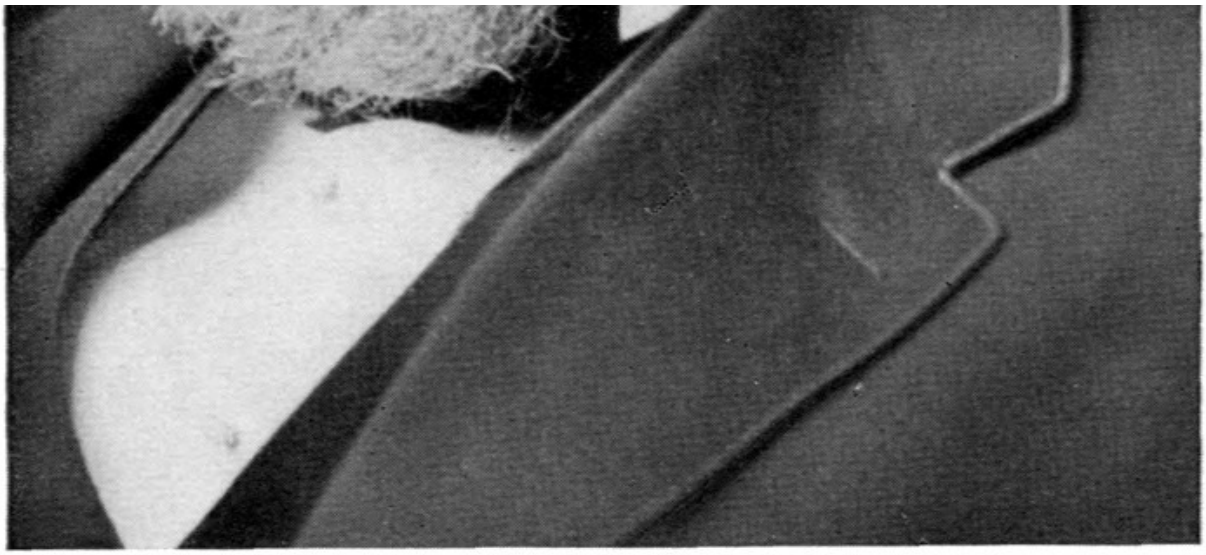
largely to provide for the bank's losses and to reorganize it with new capital, which placed it again among the foremost financial institutions of the United States. The credit of this Herculean achievement was due more to him perhaps than to any other man. His social position is deservedly high. His son married the daughter of a member of the historic Livingston family, one of the oldest and most illustrious in this country. His daughter married the successor to the editorial chair of Greeley, Whitelaw Reid, whose able management of the *Tribune* has established a world-wide fame for that gentleman. These marriages of his children strengthened his already strong position socially, which he soon won despite the fact that he was a newcomer. Mr. Mills is distinguished for a princely liberality. He believes in distributing his property generously while living. He has built, therefore, one of the finest residences in this city for his son; he bought for his daughter, Mrs. Reid, at a cost of four hundred thousand dollars, the Villard palace on Madison Avenue. His other acts of generosity are numberless. He himself lives in fine style. He paid the highest price ever paid per foot for a residence in New York when he bought from D. P. Morgan, for one hundred and seventy-five thousand dollars, that gentleman's residence directly opposite St. Patrick's Cathedral on Fifth Avenue. This mansion occupies two lots on a Columbia College leasehold. After purchasing it Mr. Mills gave a *carte blanche* order to a noted decorator of New York, and during a trip to California the work of decoration was done. On his return he at once took possession of a mansion of which a Shah of Persia might be proud. He was delighted with all that had been wondrously wrought by the beautifying touch of splendid art; with the richly carved wood work, the gorgeously picturesque ceilings, the inlaid walls and floors, and the *tout ensemble* of Oriental magnificence. His contentment was complete, but a surprise awaited him. It was the decorator's bill for four hundred and fifty thousand dollars. This, it is said, slightly disturbed his serenity. It caused him to look with a critic's eye on the splendid decorations which constituted a study in the fine arts at such high rates of tuition. As with the eagle eye of a connoisseur, he perceived that the bill was altogether too high. He succeeded in getting, however, only a slight reduction. Moral: Don't give carte blanche orders to decorators any more than you would hire a cab without first making a bargain.

Mr. Mills came to New York to take up his residence some years ago, with a fortune of many millions of dollars. He is particularly worthy of a place in this book, as from the time of making his home here he has been prominently identified with Wall Street. Soon after taking up his residence here he became acquainted with William H. Vanderbilt, at whose suggestion he invested very heavily in Lake Shore. He made by this operation no less than $2,700,000. This large sum he devoted to the construction of a palatial building on Broad Street, which bears his name, and is probably the finest and most complete structure for office purposes in the world. It has a frontage of 175 feet on Broad street, 30 feet on Wall Street, and 150 feet on Exchange place, and is nine stories high. Thirteen buildings were torn down to secure its site. It was begun in May, 1880,

and was practically finished in one year, the men working night and day. It is built largely of Philadelphia brick, with Belleville brown stone trimmings. It is otherwise ornamented with terra cotta, and Corinthian and Renaissance capitols, and red Kentucky marble pillars. On the first three floors the wainscoting is of Italian marble, and there is marble tiling throughout the building; the woodwork on the first two floors is mahogany, and on the upper floors it is reeded and panelled cherry. There are 400 offices, and the tenant population is 1,200. For weeks at a time the total daily average number of persons carried on six elevators has been no less than fifteen thousand. The working force necessary to look after this magnificent structure numbers 60 person. The net annual rental is about $200,000, the highest individual rent paid being $20,000.

Mr. Mills' exceptional skill as a financier has won him a high reputation in New York, and his counsel on vexed and abstruse questions has often been quoted by powerful corporations. He is a director in several railroads, including the Erie, and it is understood is interested in mining enterprises. In the battle of life he has achieved signal success. His career is a fitting lesson to future generations.





Chas Crocker

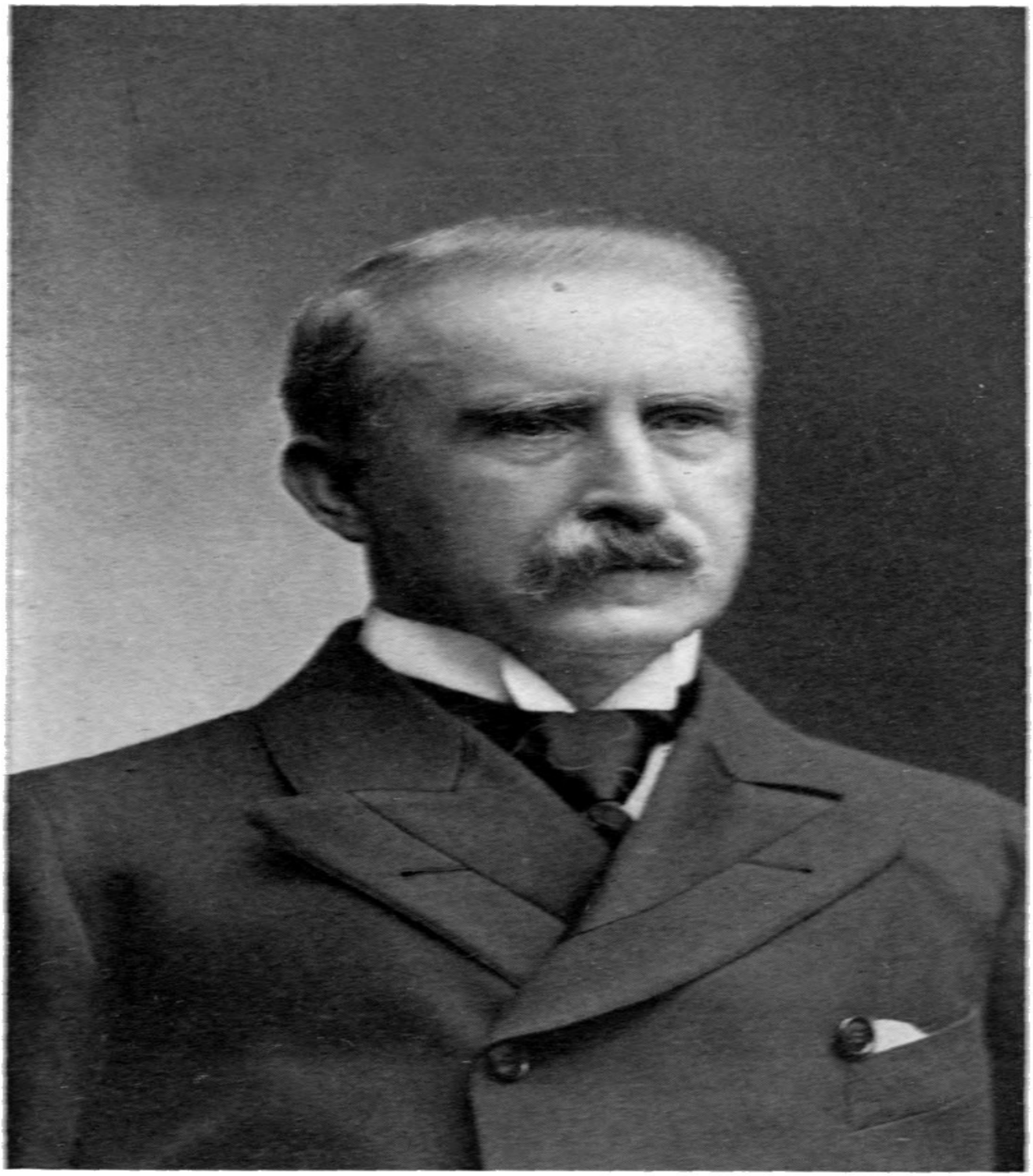
Charles Crocker.

Charles Crocker is now about 65 years of age, and lives in New York city. He was born in Ohio in humble circumstances, and early in life followed for a time the occupation of blacksmith. He used to get up at four o'clock in the morning and work hard all day. It was a hard life, and he engaged, after a time, in other occupations, gradually, in the meantime, by thrift and industry, amassing a sufficient sum to enable him to go to California, in the height of the mining fever, and establish a general store in Sacramento. He met with considerable success in trade, and when the project was formed to build the Central Pacific Railroad, he lent his aid to the enterprise, and has ever since been identified with that corporation. He is now its Secretary and Vice-President, and is also interested in associate roads.

Mark Hopkins.

Mark Hopkins died some years ago, worth fifteen million dollars. He was from Massachusetts, and went to California on the breaking out of the mining furore, and settled in Sacramento, where he soon engaged in the hardware business with C. P. Huntington, with whom he also embarked in the ambitious enterprise of building the Central Pacific Railroad. He won a large fortune in his railroad operations. His widow has a magnificent estate at South Great Barrington, in Massachusetts.

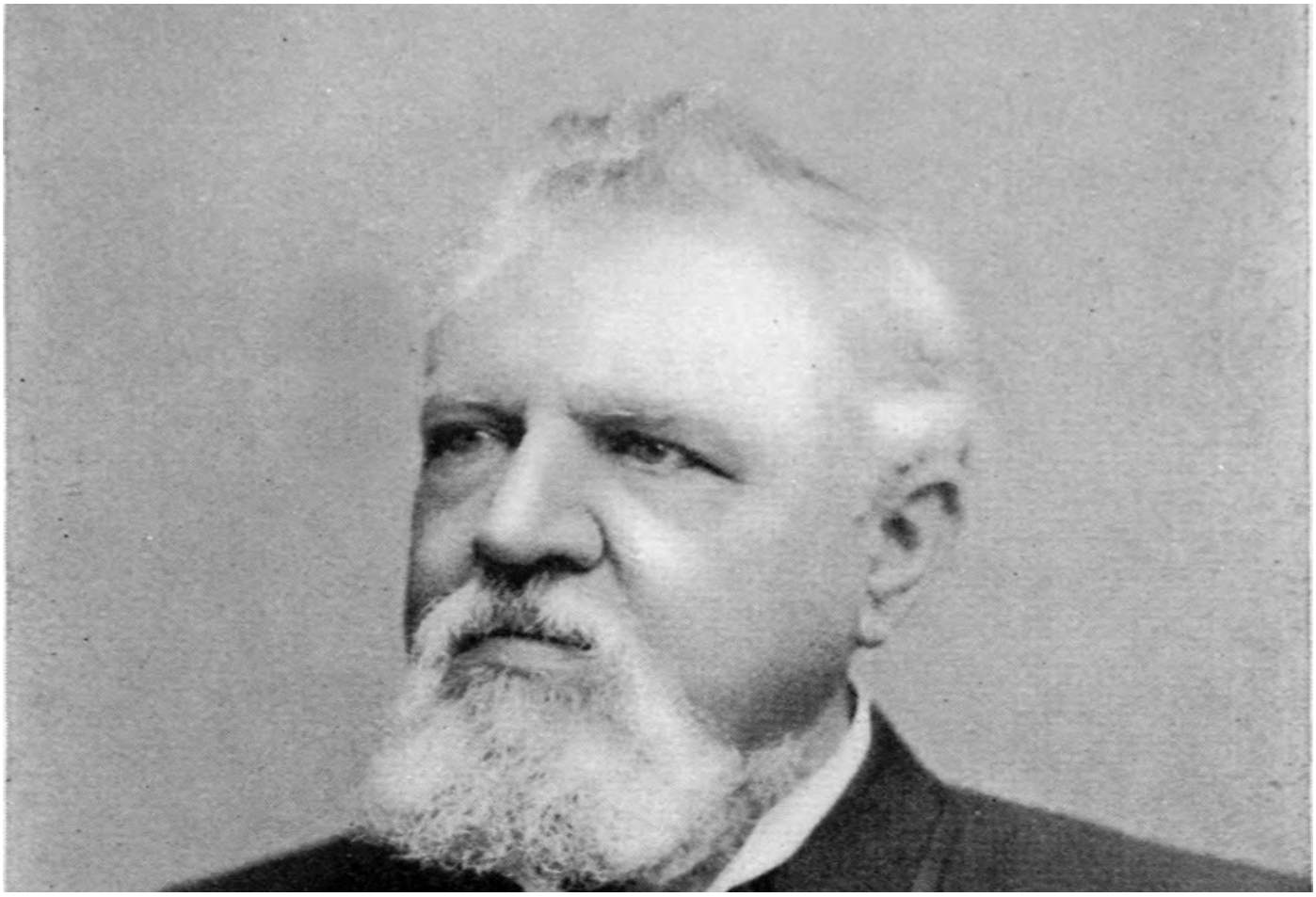
We come now to the famous mining princes of the Pacific Slope. The discovery of gold in California, and of the rich deposits of the precious metal elsewhere on the Pacific Slope, led not merely to the accumulation of vast individual fortunes; it sent the currents of new life humming through the veins, so to speak, of the entire country; it stimulated trade; it awakened new life; it gave a tremendous impulse to a thousand industrial enterprises; it sent the Republic forth as a conquering hero of commerce, leveling all obstacles and laughing at difficulties; tunneling mountains, building railroads whose very rails seem to catch a golden gleam from the rich traffic; spanning great rivers with majestic bridges, building ships and steamers; setting vast manufactories to awake the solitude of primeval forests with the thunder of machinery, the ringing of hammers and the thousand voices of labor; building villages, towns and cities with such marvelous rapidity as to suggest the touch of the magical wand of genii. With the treasure taken from her bosom nature herself was subdued; an electric thrill stirred the older centres of population as it led the new sections, and the Republic has ever since, regardless of those periodical reactions known as panics, kept its onward march in fulfillment of that far-sighted prophecy that the star of empire takes its way to the West, and that on the broad stage of the American Continent the Anglo-Saxon race will win far greater triumphs than it has ever achieved in its amazing career since it sprang from the barbarism of the Northern wilds of Europe to take its proud station as the dominant family on this globe. The rich gold mines, and later the great silver mines, have given this country a feverish dream of speculation, in which gigantic fortunes have been amassed. The richest deposit of silver in Nevada, if not in the world, was the Comstock lode on the east side of Mount Davidson, in Storey county, and partly under the towns of Virginia and Gold Hill. At one time its ores contained one-third in value of gold and two-thirds of silver. The lode has been traced on the surface some twenty-seven thousand feet, and has actually been explored about twenty thousand feet, within which space most of the larger mines are located. The lode has been opened to the depth of about twenty-two hundred feet. The various mines on this lode have given a total return, it is estimated, of some three hundred millions of dollars.

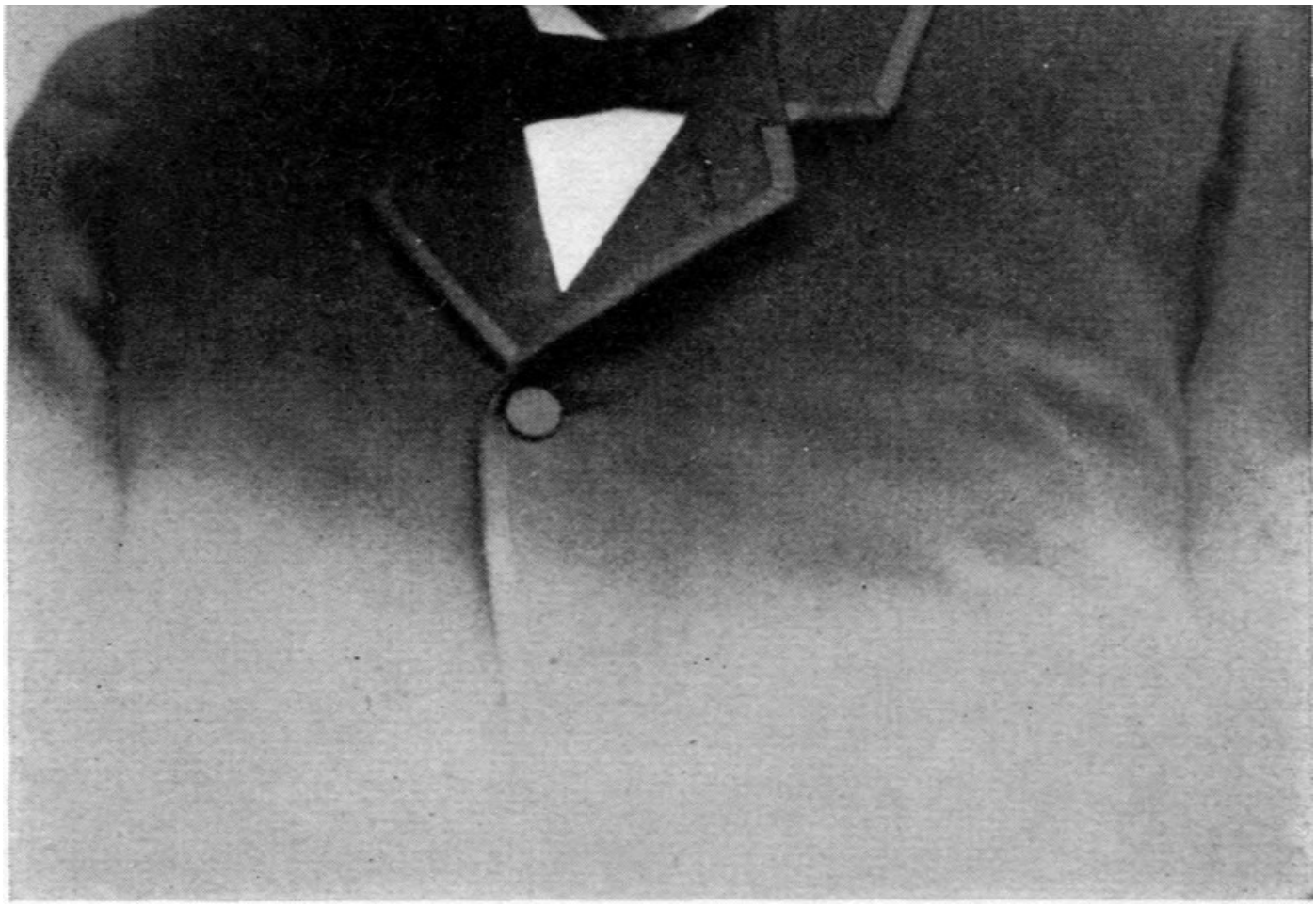


J W. Mackay

One of the most famous of the bonanza magnates is John W. Mackay. His rise to financial power reads like a romance, and yet his astounding success was by no means attained as by turning over a hand. He believed in the richness of the bonanza field; he and a number of associates purchased the controlling interest in the corporations which owned it. Then began the grand hunt for the ore body. Others had tried to find it, but had given it up in despair. The idea that the property was worth working was laughed to scorn. The men who believed in it persisted in spite of all discouragements, which were many; they spent about half a million in prospecting. They made in 1875, after long and trying efforts, the famous strike which astounded the business world, and stirred up a speculative fever which did not die out for years. This plain, quiet, unpretending financier was born in the humblest circumstances in Dublin, Nov. 28, 1835, and is consequently in his 52nd year. He came to this country very early in life, and as a boy worked for Wm. H. Webb, the once famous shipbuilder of New York. In 1852 he went with a party to California, sailing in one of the ships of his former employer. It has been said that previous to this he kept a liquor saloon in Louisville. Like so many others, however, he caught the gold fever, and on arriving in California he immediately engaged in placer mining in Sierra county of that State. He met with the usual vicissitudes of fortune, but at last a fair degree of success rewarded his untiring efforts, and he thereupon went to Virginia City, Nevada, and started a tunnel in what was called the Union ground, north of the Ophir mine. The speculation was disastrous. He lost all he possessed, but he was not conquered. He secured work as a timber man in the Mexican mine, and he engaged also as a miner, swinging the pick and shovel, and little dreaming that this would be told as an interesting circumstance in a career which was to be successful beyond his wildest hopes. He labored industriously; he saved his money, and he watched his opportunities, which very few people do. He got his first important start in connection with the Kentuck mine in Gold Hill, but he had frequent fluctuations of fortune until finally, in 1863, he formed a mining co-partnership with J. M. Walker, a brother of a former Governor of Virginia, and subsequently the firm was strengthened by the addition of Messrs. Flood, O'Brien, and Fair. The firm struck their first great success in 1865-67 during their control of the Hale & Norcross mine. Later came the celebrated California and Consolidated Virginia mines, the wonders of the mining world. He was married in 1867 to the daughter of Daniel Hungerford. Hungerford, by the way, was a Canadian, who came to New York many years ago and lived in West Broadway, where he followed the occupation of a barber. When the Mexican war broke out he enlisted, and at the close of that war he returned to his family and his previous occupation. When the famous Colonel Walker raised a force in New York for the invasion of Nicaragua, Hungerford, who seems to have been of an adventurous spirit,

enlisted, and barely escaped the fate of Walker and those of his force who were captured and shot by the Nicaragua authorities. He escaped by fleet running, and again returned to his family and tonsorial profession, dying soon after his return. His daughter married a physician, with whom she went to Nevada. He died and left her in reduced circumstances. With the open-handed generosity characteristic of the financiers of the Pacific Slope, a number of wealthy gentlemen, learning of the circumstances, started a subscription, to which Mr. Mackay made a large contribution. She called to thank him, and the acquaintance thus begun ripened into mutual attachment, whose happy consummation was their marriage a few years later. Mrs. Mackay, during the last few years, has resided for the most part in Paris and London, where she has lived on a scale of magnificence which has dazzled and astounded foreigners. Mr. Mackay himself has apparently little inclination for social triumphs; he is well liked wherever he is known for his quick, genial manners, but seems to avoid publicity. He alternates, for the most part, between New York and San Francisco. In New York his office is at the Nevada Bank, in which he is a large stockholder, owning, in fact, half of the stock. In recent years he has become largely interested in a cable line to Europe, started in opposition to other well-known lines. His fortune is estimated at twenty millions. Mr. Mackay's step-daughter was married a few years ago to the Prince of Colonna, who belongs to one of the most ancient and wealthy families of the nobility of Italy.

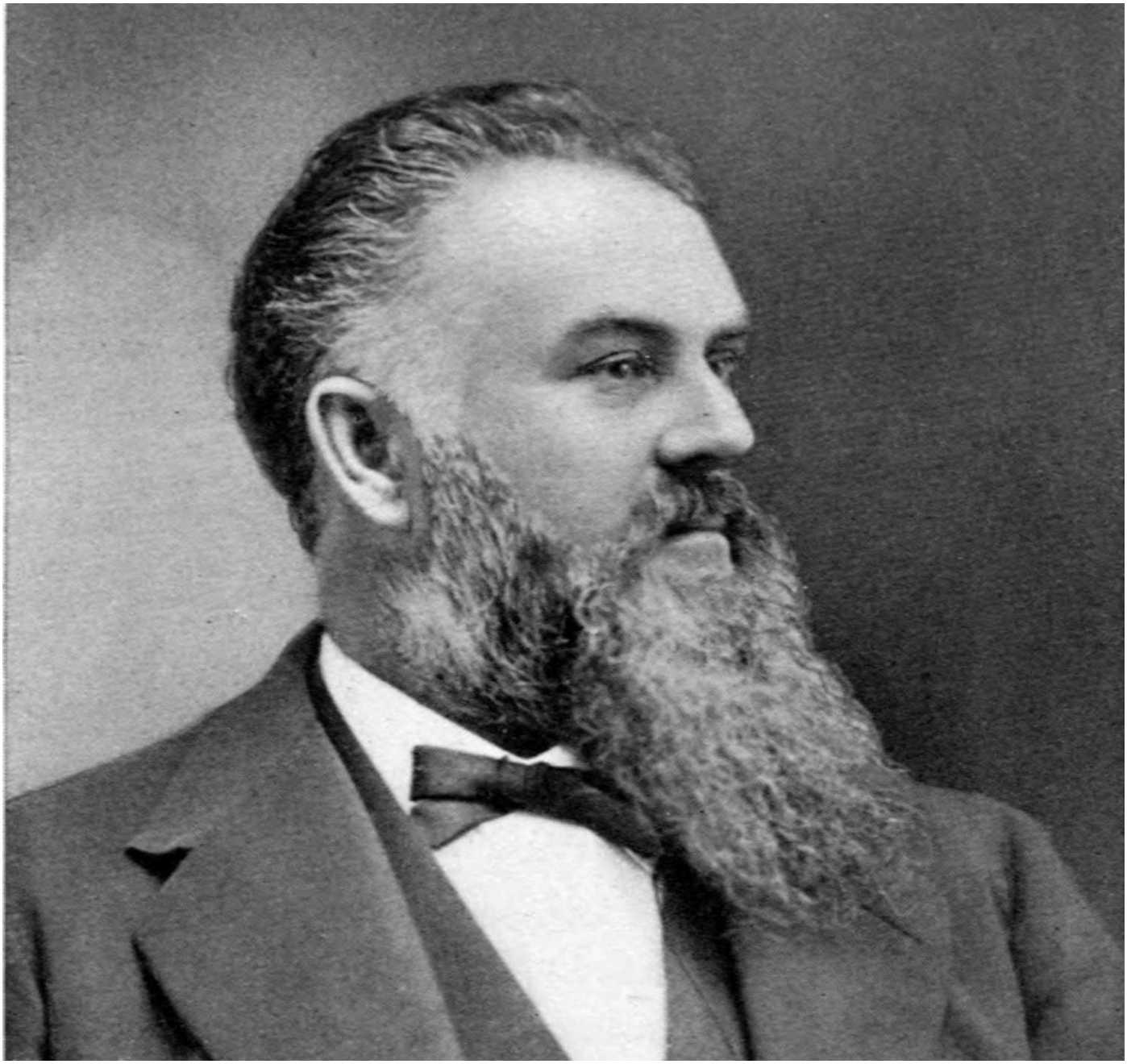


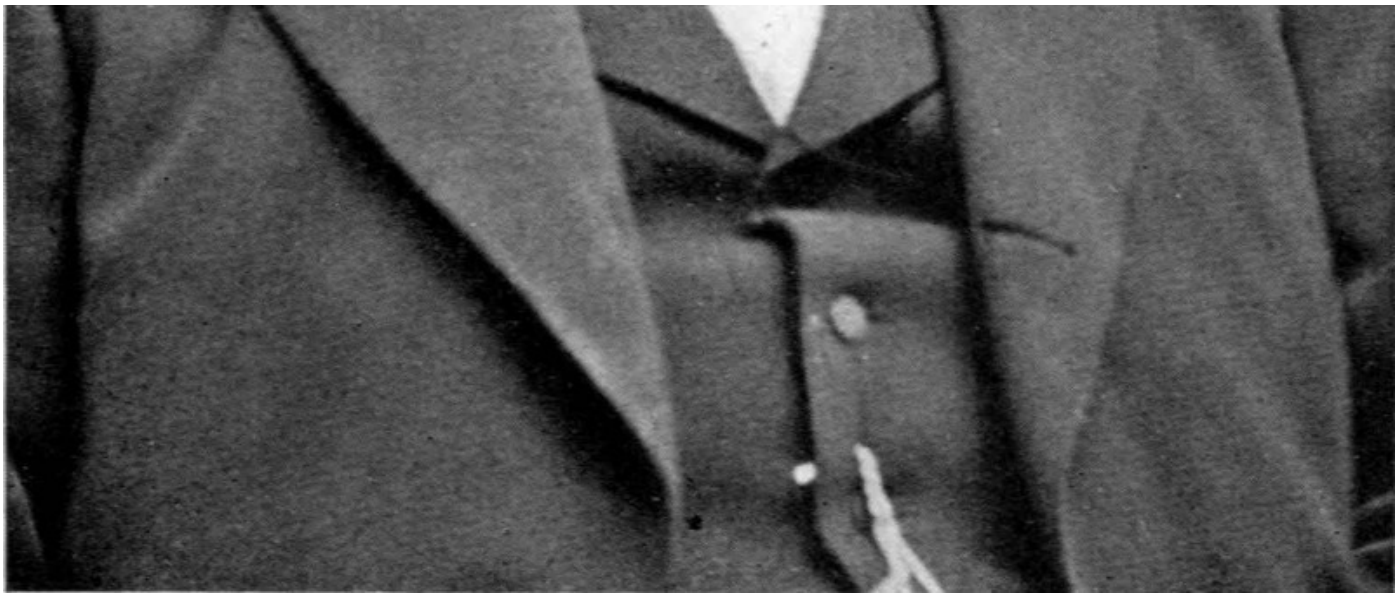


JAMES C. FLOOD.

James C. Flood was once a poor boy of New York city, now he is worth more millions than can exactly be told. He went to San Francisco in 1849, poor and friendless, and in company with the late W. S. O'Brien, opened a liquor saloon, where he sold whiskey at 12½ cents a glass. He drew the liquor from casks piled one upon another. In those early days of the future queen of the Pacific Slope there were no gorgeous saloons with tesselated marble floors, a dazzling stretch of costly mirrors, and a gallery of rare pictures. Such resorts as Flood's, in the slang of the day, were termed "gin mills," and in the man who drew whiskey from the casks rather than tendering a heavy cut glass decanter, it would have been difficult for the most fanciful to have recognized the future famous man of millions. He made money and went into mining stocks. The first great mining speculation in which Flood, with his partner, O'Brien, embarked was in 1862, in Kentuck and the stocks of other mines on the Comstock lode. Then they went heavily into Hale & Norcross, one of the old time favorites. They were generally successful in these operations, but a crowning and dazzling triumph awaited them. In February of 1874 there were whispers that the Consolidated Virginia, which had caused a furore some ten years previous, but had fallen off materially, and the newer mine, the California, would soon develop rich bodies of ore. Flood and his

partners, who owned these mines, became certain of this prospective bonanza in the following winter, and early in 1875 came the announcement of the discovery of the fabulous ore bodies which made the name of the Comstock lode known round the world, and lifted the owners of the celebrated mines at once into wealth so enormous as to make the extravagances of the Arabian Nights seem tame. The establishment of the Nevada Bank was the idea of Mr. Flood, who is said to possess a natural aptitude for finance. He became president of the bank and a large stockholder in it. He is a man of compact robust build, five feet nine inches in height, with quiet, courteous manners, and of an energetic, self-reliant and industrious disposition. He has had a remarkable rise, but has shown himself equal to the surprising good fortune which has attended his strange career.





JAMES G. FAIR.

It is of interest to recall the fact that the original Comstock syndicate, most of whom derived such enormous wealth from the Comstock lode, was composed of Messrs. Mackay, Flood, O'Brien, Fair and Walker. Soon after these gentlemen became associated in their great enterprises, Walker sold out his share of one-fifth to Mackay, for a very small consideration, and this consequently gave that gentleman an interest of two-fifths, against the one-fifth share held by each of the three others in the firm, a fact which accounts for Mackay's greater wealth. Walker, one of the original parties in interest, afterward not only lost in mining and other speculations the amount which Mackay had paid him for his share, but all his other means, and was, in fact, completely beggared, and died in an asylum for paupers. He had experienced dramatic vicissitudes of fortune. He ought to have been worth fully twenty millions of dollars. He died without a penny.

W. S. O'Brien.

W. S. O'Brien was associated with Mackay, Flood and Fair in developing mines on the Comstock, and died in 1878, enormously wealthy. He was born in New York, went to San Francisco in the early days of the gold excitement, and at first kept a liquor saloon with Flood. He gradually engaged in mining speculations, and ultimately met with such success that he died famous as one of the bonanza kings. It is an interesting circumstance that four Irishmen secured the lion's share of the bonanza millions, and they were all born poor. The harp of Tara's halls never was struck to so strange a roundelay as this.

JAMES G. FAIR.

James G. Fair is another of the bonanza kings who has had an interesting career. He was born Dec. 3d, 1831, near Belfast, Ireland. He came to this country with his parents in 1843 and settled in Illinois. He received a thorough business education in Chicago, and at the same time devoted considerable attention to scientific studies. On the breaking out of the gold fever in 1849 he removed to California, settling at Long's Bar, Feather River, in that State. He mined on the Bar for some time without much success, and then turned his attention to quartz mining. Placer mining in those days was conducted in too primitive a fashion to suit a man of his mechanical ingenuity. Placer, by the way, is a term of Spanish origin, signifying a gravelly place where gold is found, especially by the side of a river or in the bed of a mountain torrent. In quartz mining, on the other hand, the metal is obtained by smelting after crushing the rock of which it forms a part. Mr. Fair engaged in quartz mining in Calaveras county, California, and later became superintendent of various quartz mines in other parts of the State. In 1855 he became superintendent of the Ophir, and four years later of the Hale & Norcross. In 1860 he removed to Nevada and became actively engaged in developing mines. In 1867 he formed a partnership with John W. Mackay, James C. Flood and Wm. S. O'Brien. The firm, at Mr. Fair's suggestion, obtained control of the California and Sides mine, the White & Murphy, the Central Nos. 1 and 2, and the tract known as the Kinney ground, and it was in this rich field that the famous California and Consolidated Virginia mines were developed, the yield of which, under Mr. Fair's superintendence, is estimated at about two hundred million dollars. He began speculative buying of real estate in San Francisco in 1858, and is now said to own seventy acres of land in different parts of that city, constituting in itself an enormous fortune. He was elected to the United States Senate as a Democrat to succeed the Hon. William Sharon, and took his seat in 1881, his term expiring March 3d, 1887. In person Mr. Fair is of about the medium height, of compact, solid build, has handsome features, and is a man who would be likely to attract attention anywhere. His fortune is estimated at from ten to twenty millions.

William Sharon.

William Sharon was one of the remarkable men developed by the mining excitement in this country, one of the sagacious, self-reliant men who inevitably come to the front wherever they are found. He showed his mettle when the Bank of California was forced to suspend, and when a commercial pall hung over San Francisco. In the midst of the frenzied excitement he was one of the few who kept cool and never lost their courage. The wild excitement on the Stock Exchange of San Francisco was stopped at his suggestion that the sessions be indefinitely postponed. Then he called a meeting of the Bank of California directors and made a stirring appeal to them to stand by the bank in the hour of its misfortune, and rescue the business interests of the coast from the paralysis by which they were likely to be seized if they did not take a resolute stand, put their shoulders to the wheel and acquit themselves like men. He proposed that each subscribe liberally to put the bank again in operation, and set the example by a very large subscription—said to have been five million dollars. Others also subscribed liberally, and to the astonishment and joy of the city the bank again threw open its doors for business. He had some years prior to this become connected in business with the lamented Ralston.

William Sharon was born in Ohio, and early in life began the practice of law in Illinois. He went to San Francisco, and immediately engaged in the real estate business, and ultimately became a very large operator in lands, but failed, and in 1863 went to Nevada to take the agency of the Bank of California in Gold Hill and Virginia City. The bank had large loans out on mining property, and as the production of many of the mines had seriously declined, Ralston grew uneasy, and was greatly relieved when Sharon offered to become personally responsible for these loans on condition that the bank advance him a considerable sum to be used in contemplated mining developments, and allow him two years in which to meet the loans. The terms were accepted. Sharon ran new drifts here and there, and in four months, to Ralston's amazement, paid all the loans, and placed on deposit three-quarters of a million to his own account. This feat drew general attention to him; he was consulted in large operations; he became a director in the great bank. He never forgot Ralston's kindness to him. He assumed entire charge of the personal affairs of Ralston after his death, and settled on Mrs. Ralston nearly half a million of dollars. He finally entered politics, and represented California in the United States Senate. He was a conspicuous example of business acumen and surprising energy, as well as of becoming gratitude to the knightly Ralston, of whom he always said: "He was my benefactor."

Wm. C. Ralston.

Wm. C. Ralston was one of the most notable, as he was one of the most remarkable, of all the financial giants of the Pacific Slope. He ascended the gilded summits of financial renown, and he fell into a shadowy valley of stern retribution and utter ruin. No man could be more popular, none could exhibit greater daring in his business enterprises. He was a New York boy, but drifted to the West, and became a clerk on a Mississippi steamboat, finally became Captain, and having amassed some money, he leaped into speculative waters, like another Leander, to swim the Hellespont of California finance. He became associated with Commodore Garrison and two others in the banking business in San Francisco about 1853. Finally he organized the Bank of California, and became first its Cashier and then its President. His rise was marvellous. At one time he was supposed to be worth $20,000,000 or more. He had a country seat at Belmont, in San Mateo county, that a king might have been proud to own, and here he entertained in royal fashion. Every celebrity that visited California was received with regal hospitality by this monetary prince of the golden State. But as the allied armies arrayed against Napoleon were often put to rout from being too much spread out, so this financial Titan, combining the genius and courage of many in one, was finally overthrown by adverse fortune, because his enterprises were too much spread out. He had too many projects on hand at one time. He lost heavily in mining and real estate speculations; he lost in manufacturing enterprises. Fate struck him suddenly as with the hammer of Thor. In one fearful storm of trouble all his misfortune descended upon him at once. All the waves and billows of adversity broke over him. He had no chance to recover himself. Birnam seemed all at once to come to his financial Dunsinane. An investigation of the affairs of the Bank of California was made by the directors of that institution. Their suspicions had been aroused that Ralston's administration of its affairs was open to grave criticism. He attended the meeting of the directors, and was coldly requested to withdraw during the discussion. He who had been absolute in the great bank saw that his power was gone; he stood on the brink of a moral Niagara. He left the Directors to make the inevitable discovery that he had over-issued the stock of the bank some $6,000,000, and crazed with grief and despair, found a suicide's death in the waters of the bay. He had over-issued the stock hoping and believing that success in some one of his numerous and gigantic enterprises would enable him to provide for it, but disaster stealing on him suddenly, like a thief in the night, frustrated any plan of restitution, and he paid for his fault with his life. He was a man about five feet seven inches in height, with a rather florid complexion, a full light brown beard and kindly brown eyes. He was once the idol of California, and his one great fault is almost

swallowed up in the memory of his princely generosity, his hearty geniality, and his many other engaging traits.

JOHN P. JONES.

John P. Jones has had an eventful career. He has made and lost millions. He was worth at one time five or six millions. He lost very heavily in railroad enterprises in Southern California. He had been engaged in mining and had won a big heap of treasure, probably as much wealth as any one needs, or more, but with the restless ambition of one who would travel still higher up the glittering heights of financial fame he sought to emulate Huntington, Stanford and others and become a railroad magnate. It was a case of vaulting ambition o'erleaping itself and falling on the other side. He lost almost his entire fortune, but he has now regained his feet again and is once more wealthy. He profited by the revival of interest in mines and mining stocks in 1886, and secured, moreover, a considerable interest in the Alaska mine, in which D. O. Mills was interested. He bought stocks of once famous mines at low prices, and when the advance on the revival of public interest in mining shares took place he was a large gainer. John W. Mackay has within the last few years shown a disposition to lend him assistance in his endeavors to recover his former footing. John P. Jones is one of a number of Englishmen who have won financial celebrity in this country. He was born in Herefordshire, England, in 1830, and came to this country with his parents when only a year old, settling in Ohio. For a few years he attended school in Cleveland. In the early days of the gold excitement in California he emigrated to that State and engaged in farming and mining. He acquired a taste for politics. He represented his county in both houses of the State Assembly. In 1867 he went to Gold Hill, Nevada, and has ever since been engaged to a greater or less extent in developing the mineral resources of that State. In his earlier days he worked hard as a miner in one of the counties of California. He worked in placers and tunnels; he had many ups and down. He was daring and ambitious, and sometimes seemingly reckless. He spent a million dollars trying to develop some mines in Mono, California, and then gave up the attempt. At one time he controlled the Ophir, Savage and Crown Point mines on the Comstock lode; he owned large establishments for the manufacture of ice in Georgia, Louisiana and Texas and elsewhere; he made large purchases of land in California; he engaged in a multitude of ambitious enterprises. He had too many irons in the fire. Misfortune did not daunt him. Like the old hunter of tradition, his motto was, "Pick the flint and try it again." He may yet become a financial power again. He has a certain readiness as a speaker; he is of large frame and not unpleasing aspect, and his taste for public debate and the excitements of the political arena have led him into contests for public honors which have been successful. He was elected as a Republican to the United States Senate in 1872, and has twice been elected, so that his term will not expire until 1891.

R. J. Baldwin has become widely known by the sobriquet of "lucky." He is 59 years old and was born in Ohio. His father moved to Indiana and had a farm adjoining that of Schuyler Colfax. There he worked till he reached his twentieth year. He married in the following year and went to a small place in Indiana and kept a country store; he soon built canal boats to ply between Chicago and St. Louis. He went to Racine, Wisconsin, in 1850, and engaged in the grocery business with considerable success. He was keen at a bargain and always had an eye out for the main chance. His so-called "luck" was in reality business skill. He went to California in 1853, after purchasing a number of horses and wagons and an ample supply of merchandise. He found a good market for his goods in Salt Lake, making nearly four thousand dollars on the venture, and further on he sold his wagons and harness and made up a pack train over the mountains, and, arriving in San Francisco, sold his teams at good prices. His trip had been a complete success. He now went into the hotel business, and, after selling out twice to good advantage, he formed a partnership to engage in the brick trade, which, proving very successful mainly through his skill in drumming up business, he decided to go into it alone. He himself knew nothing about brick making, but he studied up the subject and eventually became an expert. He obtained remunerative contracts with the Government; he boarded his men and made for a time about fifteen hundred dollars a month. He finally sold out and went into the livery business. He made money and invested considerable in real estate. He sold out and went to Virginia City, Nevada, at the breaking out of the mining excitement there. At that point he started a lumber yard. He speculated in mines and met at times with great success, but once he was so badly worsted in this great game that he was compelled to mortgage all of his property; but the tide turned soon and became a flood of gold. He speculated in such mines as the Crown Point, Belcher, Consolidated Virginia, California and Ophir. He acquired at one time the controlling interest in the Ophir. He has speculated heavily in San Francisco real estate, and with marked success. He erected a building there that cost, with all its appurtenances, over three million dollars. Part of it is used as a theatre. He bought sixty thousand acres of land in Los Angeles county, and had practically a town of his own. He spent about half a million dollars improving this tract, more particularly his Santa Anita ranch of over fifteen thousand acres. His sagacity and industry, rather than mere "luck," have won him his fortune of ten or fifteen million dollars.

William H. Stewart.

William H. Stewart, another successful man of the Far West, who has twice represented Nevada in the United States Senate, was a New York boy, born in Wayne county in 1827. A good many New York boys have succeeded in the West. He went to California early in 1850. In the fall of that year, while prospecting, he discovered the Eureka placer diggings; he built saw mills, worked claims because disgusted with mining, went to Nevada City in the spring of 1852, and in December of that year was appointed District Attorney, was elected to that office in the following year, and in 1854 was appointed Attorney General, thereupon taking up his residence in San Francisco, where, by the way, he married a daughter of ex-Governor Foote, of Mississippi. Later he returned to Nevada City and established a very lucrative law practice, and remained in that county till the spring of 1860, when the furore over the Comstock mines induced him to go to Virginia City, Nevada. He thoroughly understood mining law, and soon had a large practice. The large sums which his legal talents brought him were invested in mines, and he became one of the leading operators on the Comstock lode. He invested half a million dollars in San Francisco real estate. He rendered important services to mining interests while in the United States Senate, in preventing the passage of a bill providing for the sale of all the mineral lands of the country at public auction, a measure which it was supposed would concentrate much of the mining property of the United States into the hands of the wealthy.

JAMES LICK.

James Lick, born in Pennsylvania in 1796, was one of the strange characters of California. He went there in 1847, after having been a manufacturer of pianos in this country and different parts of South America. He took $30,000 to San Francisco, which he invested in real estate, foreseeing that it was to become the great city of the Pacific Slope. He bought lots by the mile. His profits were enormous. He became one of the great millionaires of California. He set aside $2,000,000 in 1874, to be held by seven trustees, and to be devoted to certain public and charitable purposes. In 1875 he desired to make some changes in his schedule of gifts, and when the trustees expressed some doubts as to their legal right to give assent, at his request they resigned. The next year he died, and then followed a litigation by his son and other heirs, which was finally so adjusted as to leave a large sum to be devoted to various public and charitable projects. He left $60,000 to be devoted to a statue of Francis Scott Key, the author of the "Star Spangled Banner." He was very eccentric, due, it is said, to an early disappointment in love. He sought the hand of a miller's daughter, but was dismissed by the father, because young Lick did not own a mill. When he became enormously wealthy, James Lick built a large mill, and adorned it with mahogany and costly woods as a memorial of his youthful attachment. He seemed to derive almost childish pleasure in contemplating this splendid building, which would have so far outshone any that could ever have been owned by the man who had once spurned him for his poverty. The poor young men of one generation are often the millionaires of the next. One of the great monuments to his memory is the great Lick Observatory.

JOHN W. SHAW.

John W. Shaw, who made considerable money in mines and mining stocks, is one of the Western millionaires who reside in New York. He was a superintendent of mines, and speculated on his information. He was at one time prominently identified with the Eureka Consolidated mine. He is supposed to be worth $4,000,000 to $5,000,000, and is now President of the Hocking Valley Road. Messrs. Keene, Lent, Dewey, Harpending, Verdenal and other more or less successful men well known in California, live here. One of the distinguished lawyers of the West who have come here to establish a practice is ex-Governor Hoadly, of Ohio. Austin Corbin, though at one time a lawyer in Iowa, found his true field in New York, and Alfred Sully, after amassing some means in the same State, likewise found himself drawn to New York, and won unexpected success in finance here.

CHAPTER XLIII.

RAILROAD INVESTMENTS.

VASTNESS OF OUR RAILROAD SYSTEM.—ITS COST.—FALL IN THE RATE OF INTEREST.—TENDENCY TO A FOUR PER CENT. RATE ON RAILROAD BONDS.—EFFECT OF THE CHANGE ON STOCKS.—PROSPECTIVE SPECULATION.—SOME SOCIAL INEQUITIES TO BE ADJUSTED THROUGH CHEAPER TRANSPORTATION.

There are, perhaps, few who distinctly realize the magnitude of the amount of capital invested in the railroads of the United States. The immense area over which our population is distributed necessitates a much greater length of railroad, as compared with inhabitants, than exists in any other nation. In 1884 we had, according to "Poor's Manual of Railroads," no less than 125,380 miles of road within the United States, which exceeds the entire mileage of Europe. This was required to provide for the travel and transportation of about 54,000,000 of population, while Great Britain, France, and Germany, with their combined population of 120,000,000, had in the same year about 60,000 miles, and Russia, with some 85,000,000 of people, had only about 19,000 miles.

It can hardly be a matter for boasting that we have found it necessary to provide such a disproportionate length of road to accommodate the wants of trade and travel; for the more capital we have to invest in the facilities for carriage the less we have for investment in the means for production, and the more we have to pay for transportation service the worse is our position for competing with other nations. This, undoubtedly, is a much more important factor than is generally allowed in the question of our ability to command a share in the world's international commerce proportioned to the extent of our population.

The cost of our railroads, as indicated by the capitalization statements of the Companies in 1884, is represented by $3,669,116,000 in bonds and $3,762,016,000 of stock. As shown in another chapter on "Railroad Methods," the actual cash outlay in construction and equipments is very much less than these figures; but the roads aim to earn an investment return on these enormously inflated amounts, and do so as far as they may be able.

Elsewhere in this volume I have shown how the effort to earn dividends upon hundreds of millions of fictitious railroad capital is imposing an unjust tax on the people, retarding the growth of national commerce and creating a distinct millionaire class not without danger to our political future; and I wish here to refer to one fact from which we may hope for some mitigation of this pernicious tendency.

Within recent years it has become very clear that a large permanent reduction has been effected in the rate of interest on fixed capital. Perhaps, the principal causes of this change has been (1) the high credit of the Government, represented by a 3 per cent. rate of interest on its loans; (2) diminution of the element of risk in our corporate enterprises; (3) the more developed and consolidated condition of our industry; and (4) the growth of the national earnings in a ratio disproportionate to the new undertakings inviting capital. To such an extent has the loanable resources of the country increased that, whereas ten to fifteen years ago we found it necessary to borrow in other countries a large portion of the money needed to build our railroads, we are now almost entirely independent of European lenders, and are beginning to invest in the construction of roads in Canada and Mexico.

Thus comes about the fact that, while the bulk of the new outstanding railroad bonds bear interest at 6 to 7 per cent., with exceptions at 5 and 8 per cent., there is no difficulty in now negotiating the mortgages of sound railroads at 4 per cent., and that may be safely regarded as the future rate for all meritorious loans. It is not difficult to see to what course of things this fact points. If new roads can be built on a 4 per cent. ratio of interest charges, then the new constructions on that basis and the gradual replacing of maturing loans at the same rate will very quickly establish a competition between roads thus situated and the large mass of companies burdened with the old high rate of interest that will bear very seriously on the latter. To a company with, say, $40,000,000 of bonded debt, it is a matter of a difference of $800,000 per year in fixed charges whether it pays 6 per cent. interest or 4 per cent. This difference will be so vital in cases of competition between high rate roads and low-rate ones, that it will leave no choice, with a very important proportion of our railroads, between facing financial embarrassment and taking immediate steps for readjusting their debts to the new and lower rate of interest. As an important proportion of the original bonds issued 25 to 30 years ago at 6, 7, and 8 per cent. rate by the older roads are now beginning to mature very rapidly, a large extent of high-rate debt will from this time forward be transmuted into 4 per cent. bonds, which will add force to the tendency here indicated.

Some important results must follow from this new drift in railroad investments. One of the effects would naturally be a diminution of the current high rate of premium on the old bonds, which has become, so adjusted as to yield, in most cases, a return of 4 to 4½ per cent. on the market value. Holders of this class of bonds will perceive that the companies cannot long sustain the burden of their present high rate of fixed charges, and

will soon come to discount in advance the inevitable "scaling" of their bonds. When the railroads begin to feel the effects of competition with the low-rate companies, they will not be slow to adjust their finances to the new situation; neither will they be nice about their methods of effecting such adjustments; and the rights of creditors will be ruthlessly dealt with under the compulsion of foreclosure; and when this compulsory stage is reached, it will not be very long before a large proportion of the high-rate bonds is transmuted into long 4 per cent. obligations.

This very important transition, upon a such large mass of investments, is to be anticipated as one of the most conspicuous financial events of the comparatively near future. One of its first effects may be expected to appear in a certain tone of depression among investors, who will feel themselves impoverished through the fall in the market value of their bonds, and by the impending reduction of one-third in their income from this class of securities. The bondholders—and, indeed, investors generally—will be likely to reason that the reduction in the fixed charges of the roads will leave so much more available for the stockholders; and there would be this extent of warrant for such a conclusion, that, as the stock of a company usually about equals the amount of its bonds issues, any reduction in the rate of interest on the latter would be just so much per cent. saved towards the dividend on share capital. Under such circumstances, there would naturally be a marked increase in the demand for railroad stocks, and a large advance in their market value would in all probability result. To those who contemplate investing in railroad shares, this is a consideration which, it appears to me, should claim their consideration.

It would seem probable that, in the process of conversion here foreshadowed, there are the elements of an era of unusual speculative activity at a period not very remote. That speculative movement may be expected to consummate and finally adjust the change. Naturally, such an excitement would tend to produce a great inflation in the price of stocks (as distinguished from bonds); the final stroke of adjustment, however, would come ultimately through the construction of new competing roads, which would take out of the net earnings of the roads as much as had been saved by the reduction of interest on their debts, thus leaving the dividend resources where they stood before the change. The final issue of this transition, therefore, would be to give the public at large about the entire benefit of what the railroads saved by the amelioration of their debt charges.

The tendency I have here aimed to foreshadow is one that must largely tend to the public advantage. In other words, the railroads, having reduced by 30 to 40 per cent. their interest charges, will be in a position to perform their services for correspondingly lower charges. This will be an invaluable advantage to all our industries, and especially to such as have to deal with bulky products, a considerable portion of the

costs of which consists of charges for transportation, and the working class, who constitute the bulk of our consumers, will be especially benefited.

In another chapter I have shown how the overcapitalization of our railroads has caused a false and unjust distribution of wealth, and burdened our industries with transportation charges which are a serious obstacle to our national progress. The tendency above delineated shows how seriously the natural laws governing the distribution of wealth provide an ultimate remedy for such violations of these laws. The railroad capitalists who have made their millions by providing railroads at such an inflated cost are now faced with the certain prospect of a loss of one-third of their income from their investments; and that deduction will have to be distributed among the community at large in the form of cheaper carriage.

This is but a repetition of what we find so many times in the history of nations, that when any important class exacts, by some artificial process, a vast amount of wealth that does not naturally and justly belong to it, it ultimately finds the earning capacity of its accumulations declining. This is one among the many reasons why a low rate of interest is apt to prevail in countries where privileged or aristocratic classes have absorbed an undue proportion of the national wealth.

CHAPTER XLIV.

THE SILVER QUESTION.

ITS FUNDAMENTAL IMPORTANCE.—DANGERS OF NEGLECTING IT.—ATTEMPTS AT EVASION.—HOW IT MUST BE FINALLY MET.—SILVER PAPER CURRENCY SCHEMES, AND THEIR FUTILITY.

Of all current public questions, I know of none that so vitally affects the future of our financial interests as this one—what shall be the status of silver among the world's currencies? At the present time, about one-half of the world's metallic money consists of silver, and the other half of gold. It is clear that silver cannot maintain its necessary function as money unless it is invested with stability of exchangeable value. Such stability it cannot possess without the intervention of a conventional arrangement which, with all the force of a uniform law, makes a given weight of silver virtually exchangeable for a given weight of gold. This principle once established, and silver bullion being made convertible into silver coin at the mints of the chief nations on demand, it follows that the bullion value of silver must constantly conform closely to its value as coin, and the stability of the value of silver coin would thus be insured.

The difficulty has been that, owing to petty jealousies and prejudices, Governments have hesitated to act with the unanimity that is necessary to an efficient conventional arrangement. Each one has preferred that others should take the responsibility of free coinage; and the result has been that unrestricted coinage has been adopted only by those nations which happened to be most imperatively committed to the necessity of protecting their silver circulation. Those nations were comprised in the international combination known as "The Latin Union." That Union was found competent to take care of all the new supplies of silver, so long as the principle of free coinage was maintained and the value of the metal was kept uniform under its operation. In an evil hour, however, certain German theorists persuaded Chancellor Bismarck to commit Germany to the demonetization of silver. The large supply of the metal thereby suddenly thrown into the mints of the Union nations alarmed that combination, first, into a limitation of their coinage of silver, and, finally, into a suspension of it. The coinage demand for silver being thus cut off, the price of silver bullion was cut loose from the relative legal

valuation between silver coin and gold, and was left to drift with the variations in the commercial demand, and to decline in consequence of an excess of supply over demand. This is a brief explanation of the causes of the present depreciation in the value of silver.

I know of no way of repairing the value of that metal other than by establishing an international union, similar in its objects and conditions to the now virtually defunct Latin Union, but embracing a wider range of Governments than that combination did; the co-operation of the United States, England and Germany being especially important. Here I may perhaps be permitted to republish a series of questions propounded by the New York *Daily Commercial Bulletin*, in October last, with my answers appended, as briefly expressing the conclusions I have been led to form on this question:

QUESTIONS.

I. Would the stock of gold in the world afford a basis broad enough to meet the banking and commercial operations of Europe and the United States, without the co-ordinate use of a properly regulated silver legal tender?

II. Would you favor an International Coinage Union, embracing the United States and the leading European Governments, based upon a uniform valuation of silver as compared with gold, and binding each member to coin on demand all silver presented at its mints and to make such coin a legal tender?

III. Supposing the ratio of valuation adopted by such a Union to be the present most general one of 15½ to 1, do you see any reason why the obligation of all nations in the Union to convert silver bullion into legal tender coin at that rate should fail to restore silver to its former value of about 60 pence per ounce?

IV. Would the suspension of the coinage of the Silver Dollar be judicious, or necessary, or effectual, as a means of inducing European Governments to join in an International Coinage compact?

V. Are there any important reasons connected with the finances of the United States Government, with our currency system, or with the prospective trade of this country, why the coinage of the Standard Dollar should be suspended?

IV. Do you favor the immediate suspension of coinage of the Silver Dollar?

REPLIES.

1. Possibly the existing stocks of gold in Europe and America might be sufficient to serve the purposes of banking reserves and for transmission in the international exchanges; but it is impracticable to use such a valuable metal to the extent required for the purposes of active circulation, and this creates a necessity for a silver legal tender coin for the retail transactions of business. For this reason I regard the use of silver, co-ordinately with gold, as an indispensable element in the world's currency.

2. I regard an international union as absolutely necessary for maintaining the joint use of gold and silver, if the relative value between those metals is to be steadily maintained. If a uniform value of silver were adopted by members of such a union, and if the mint of each nation were bound to coin all silver brought to it, and the coins were made a legal tender, it appears to me that this would establish a uniform value for silver bullion the world over, on a parity with the legal valuation of silver coin; and this conventional value of bullion would be preserved as long as the union should be continued. Even the limited international arrangement known as the Latin Union sufficed to keep silver at about 60 pence per ounce, until its members, taking fright by the demonetization of silver by Germany, stopped the coinage of silver; when, the conventional support being withdrawn and the coinage demand suspended, bullion fell to its value as a mere commodity. This shows how effective the union principle is, and what becomes of silver without it.

3. If an international union were to fix the value of the two metals at 15½ weights of silver to 1 of gold, the rate now general in Europe, and the members of the union were compelled to coin it on demand at that rate, then the free convertibility of bullion into coin would necessarily make the coin and the bullion of equal value, except the slight difference that might arise from coinage charges; which is tantamount to making silver worth about 60 pence an ounce, or its former value.

4. In view of the differences of opinion in Europe on the standard question and the strong prejudices in England in favor of the gold standard, it appears to me more than doubtful whether any step will be taken on this subject until those countries are made to carry the burthen of the large surplus of silver that we are now coining. But with 25 to 30 millions of bullion of our silver going thither every year, the effect would be so serious upon Asiatic trade and upon the immense silver circulation of the Latin nations, that it seems certain they would soon become willing to assume their share in restoring silver. At any rate, it is a proper and necessary compulsion for us to apply.

5. The Government is very closely threatened with a suspension of gold payments, if the coinage is continued. We have already seen a point at which the Treasury had to negotiate with the banks for six millions of gold to avert that catastrophe; and it is only a thin margin of a very few millions that separates us from such a condition all the time. Of course, if the Government suspended coin payments, gold would be apt to go to an indefinite premium; with the consequence of a rush of greenbacks into the Treasury for redemption and a depreciation of such paper as is redeemable in silver to the purchasing power of that coin. In my view, these dangers are much nearer than is generally supposed; and it is a most unjustifiable policy that needlessly perpetuates this state of things.

6. For the reasons assigned in my other answers to your inquiries, I regard the suspension of the coinage of the the silver dollars as to the last degree imperative. And the suspension should be both total and unconditional. Either a partial or a temporary suspension would fail equally to avert the home dangers with which we are threatened, and to bring about that European action which is indispensable to a sound and permanent settlement of the question.

So long as there was no efficient conventional arrangement for maintaining the value of silver, no nation can safely continue its coinage, because, in so doing, it was increasing its stock of currency, the future value of which could not be depended upon, and which might easily become a source of embarrassment and injustice between citizen and citizen, between debtor and creditor. In our country, however, such was the political influence of the silver-producing States that they easily induced Congress to order the coinage of not less than $24,000,000 per annum of standard silver dollars. The effect of this has been, undoubtedly, to somewhat check the decline in silver bullion; but at the expense of the artificial addition already of $230,000,000 of badly depreciated legal tender to our circulating medium. Our whole currency system has thus been vitiated; for our $680,000,000 of paper money may be redeemed in silver; and we are thus exposed to the very gravest dangers, in the event of anything causing an important drain of gold to Europe. That the coin thus issued was not really needed for the purposes of circulation is demonstrated by the fact that it has been found impossible to get more than one-third of it into circulation. In order to obviate this difficulty, various devices have been introduced for keeping the coin in the Treasury and issuing against it paper certificates of small denominations. The most ingenious of these contrivances was the one proposed by Hon. A. J. Warner, of Ohio, and pressed on the Government for its endorsement. In September last I took occasion to publish certain objections to Mr. Warner's scheme, which was finally rejected by the Silver party; and, with that rejection, there is probably an end to all proposals for creating a purely silver paper currency. As a brief exposition of one phase of this controversy, it may perhaps be permissible to reproduce here the views then expressed:

Mr. Warner's measure virtually concedes that the coinage of the silver dollar has already been carried to a point that threatens serious danger to the currency system of the country, and, consequently, to the just relations between the creditor and debtor classes. This confession from a representative of the Silver party does not come a day too soon; and it would be welcome, were it not accompanied with proposals that would aggravate the evils which need to be remedied. Let us briefly examine Mr. Warner's plan.

First, it discontinues the current monthly coinage of silver dollars required under the existing "Bland Act." 2. It provides that, in lieu of this current coinage, holders of silver bullion may deposit any amount thereof in the United States Treasury. 3. It requires that, against such unrestricted deposits of bullion, the Government shall issue to the depositors "bullion certificates," expressing an amount of money equal to the market value of the bullion at the time of its deposit. 4. These certificates are to act as a new form of currency. The Government could use them in liquidation of all its debts not made expressly payable in gold; and it would be required to accept them in payment of customs duties, taxes and public dues generally. The national banks would be required to accept them in payments between themselves. And, 5, the certificates are made redeemable in lawful money, (i. e., either gold, silver or U. S. notes), or at the option of the Treasury in silver bullion at its current value at the time of redemption. These are the more vital provisions of the scheme. Let us see what they involve.

Against the whole plan there lies a very positive doubt of its constitutionality. The Constitution empowers Congress to authorize the coinage of gold and silver, and to make such coins a legal tender; but there is nothing in the powers thus conferred, nor in any powers conveyed by that instrument, that can be construed into a right of the Government to receive silver bullion on deposit. The Government can have no interest, duty or function in connection with bullion, except so far as it may be procured for the express purpose of coinage. It can have no more power to assume the custody of bullion for the accommodation of its producers than it has to store cotton, iron or wheat for the convenience of the dealers in those commodities. And when, in addition to assuming the grave responsibilities of custodian, the Government undertakes to issue receipts endowed with special privileges and attributes, calculated to incorporate those receipts as an important part of the currency system, it commits a breach of the true functions of government and of the true constitutional limitations of federal authority, which, it would seem, the Supreme Court should unqualifiedly prohibit.

The provision made for the redemption of these proposed certificates would be to the last degree objectionable. They are payable in legal tender money, or, at the option of the Government, in an equivalent value of silver bullion at its current market price. If the Government chooses to redeem them in lawful money, it exposes itself to a new and important demand upon its legal tender notes or its gold: and as the amount of greenbacks owned by the Treasury now runs so low as to prohibit those notes being used for the purpose, it follows that the redemption of the certificates would have to be made from the Treasury stock of gold. Thus the operation of the scheme would be to exchange the Government gold for silver bullion. What could the silver men desire better? What could all other interests dread more? It would be a direct step towards incapacitating the Government for maintaining gold payments; and, as such, would go far towards dissipating that broad substratum of gold which is the sole means of preventing our entire paper currency from depreciating to a level with the bullion value of the silver dollar.

It is thus clear that the Government would be ultimately driven to redeem the certificates in silver bullion. What does that imply? First, that the Treasury would have to stand the loss upon the deposits of bullion that might arise from a fall in its value. Take a case for illustration. A deposit is made of 1,000,000 ounces of gold at the current price of $1.10 per ounce, the Treasury being required to issue against it $1,100,000 of certificates. Later, when the price of silver has fallen to say $1.05, the $1,100,000 of certificates is presented for redemption, and 1,047,619 ounces of silver have to be delivered, as the bullion equivalent at the current market value. The Government thus loses 47,619 ounces of silver by the transaction. Now, seeing what a handsome profit can be made by thus depositing bullion at a higher price and withdrawing it at a lower, are men so virtuous that we can depend on their not working this Treasury silver mine to the utmost possible advantage? With the hands of the Government thus tied, it would be at the mercy of unprincipled speculators and could not escape being mulcted to the extent of millions of dollars. The moment such a bill was signed by the President, speculative combinations would be formed

with London bullion dealers; the European stocks would be secured, and, after advancing the price, would be sent to the United States Treasury. The next step would be to force down the price; and then the certificates would be presented to be redeemed by a much larger quantity of silver than had been deposited against them. And thus the game would go on continuously, the Government being the loser in every transaction. A finer scheme for the benefit of speculators could not have been conceived; but for legitimate interests, in many ways dependent on the value of silver, nothing could be more serious.

There is nothing in Mr. Warner's measure to prevent the United States Treasury from being saddled with as much of the European stocks of silver as speculators find it to their interest to send here, in addition to the product of our own mines; and for such deposits the Treasury would be compelled to pay whatever artificial price it suited the operators to determine. And what does such a transfer involve? First, that we should have to ship so much more gold to Europe, making the operation a virtual exchange of Europe's silver for America's gold; next, that the United States Government would thus be made to bear the sole weight and responsibility of carrying the WORLD'S surplus of silver; next, that, as a consequence, England, Germany, and other nations would become still more reluctant than they now are to negotiate for an international settlement of the silver question; next, that the Government would be so handicapped with its enormous load of silver as to place it at an utter disadvantage in such negotiations; next, that the Government would be exposed to immense losses in assuming such vast responsibilities; and, next, that the large issues of certificates to be made against this mass of bullion would be a forcible and artificial inflation of the currency, which could not fail to produce disaster to all the material interests of the country.

Of course, such an arrangement would be all that the silver interests could desire. For them, indeed, it would be a far better protection than the Bland Act. But this advantage would be only temporary; for when the scheme broke down of its own weight, as sooner or later it must, the miners would be exposed to ruin from the consequent derangements.

The only wholesome treatment of this question is to repeal the Silver Coinage Act. That done, we should add $25,000,000 to our yearly exports, instead of locking up so much of our national product as dead capital in the Treasury; while that increase of exports would give us a greater command of European gold and thereby strengthen our international position in this question. Europe, and especially England, would then be compelled to earnestly consider measures for placing the double standard upon a broad and lasting international basis; and as such a disposition began to manifest itself, the silver market would so far sympathize as to amply compensate producers for any losses they might suffer from a temporary fall in bullion.

HENRY CLEWS.

Bad as the situation is, in respect to this vast mass of the world's circulating medium, yet it is far from being a hopeless one. The more serious it becomes, the nearer will be the remedy. The derangements to commerce and to immense vested interests must ultimately become so serious, that the nations which now obstruct the application of a remedy will be compelled to submit to the necessities of an imperative danger, and the end will probably be that a coinage union will be established between the great nations, on a basis broad enough to give stability to this form of money beyond all possibility of future disturbance.

CHAPTER XLV.

THE LABOR QUESTION.

HARMONY BETWEEN THE REPRESENTATIVES OF CAPITAL AND LABOR NECESSARY FOR BUSINESS PROSPERITY.—IF MANUFACTURERS SHOULD COMBINE TO REGULATE WAGES, THE ARRANGEMENT COULD ONLY BE TEMPORARY.—THE WORKINGMEN ARE TAKEN CARE OF BY THE NATURAL LAWS OF TRADE.—COMPETITION AMONG THE CAPITALISTS SUSTAINS THE RATE OF WAGES.—OPINION OF JOHN STUART MILL ON THIS SUBJECT.—COMPELLING A UNIFORM RATE OF PAY IS A GROSS INJUSTICE TO THE MOST SKILFUL WORKMEN.—THE TENDENCY OF THE TRADES UNIONS TO DEBAR THE WORKINGMAN FROM SOCIAL ELEVATION.—THE POWER OF THE UNIONS BROUGHT TO A TEST.—THE UNIVERSAL FAILURE OF THE STRIKES.—REVOLUTIONARY DEMANDS OF THE KNIGHTS OF LABOR.—GOULD AND THE STRIKES ON THE MISSOURI PACIFIC, &c., &c.

There is no influence to which business circles are more sensitive than the disruption of harmony between capital and labor. Whatever affects the productiveness of labor affects, more directly than any other cause, the national prosperity and the welfare of all classes of society. The value of the vast aggregate of corporate property represented on the Stock Exchange is vitally dependent on the maintenance of such relations between the employed and employing classes as contribute to the highest welfare of both and to the largest possible national production; and, therefore, whatever tends to imperil such relations becomes a source of serious disturbance to the stock market, to financial interests at large, and to the best interests of labor itself.

There appears to be an idea, in certain quarters, that the modern concentration of capital into large masses has made it necessary for workmen also to organize themselves into large bodies, sinking their individual rights and liberties and selling their labor *en masse*. For my part, I am unable to see the force of this reasoning, although I cannot but respect the ability of some authorities by which it is sanctioned. It seems to assume that large employers of labor have more power to depress wages than smaller ones; and from this it is inferred that it is necessary for workmen to combine to protect themselves against this supposed increased exposure to aggression from capital. But is either the premise or the conclusion sound? In order to concede the assumption we must suppose that large employers can cease to be competitors for labor; for in no other way can they depress wages. But this can never happen; for capitalists will always produce to the fullest extent compatible with an average rate of profit, and this

ensures the largest possible demand for labor and, therefore, the highest possible rate of wages. If employers combined to force the rate of wages down, as workmen do to force it up, they would undoubtedly be able to compel a temporary reduction in the remuneration of labor.

But, of necessity, such an artificial depression of wages could only be temporary; for what was thus taken by force from labor would make manufacturing so unusually profitable that new capital would be immediately attracted to it, and the consequent additional demand for labor would necessitate an advance in wages, which the combined manufacturers would be compelled to pay. As a matter of fact, manufacturers do not combine to regulate wages, not only because of the reasons just stated, but also because they know that no such combination could be maintained in the face of the jealousies and conflicting interests that always exist among them. If, then, it is true that manufacturers are compelled by the necessities of competition to pay as much for labor as it is for the time-being worth, and, if they do not and cannot combine to depress wages, I am unable to see where arises the necessity for the workmen to combine for the purpose of protecting themselves against capital.

The workingmen are taken care of by the natural laws of trade far more perfectly than they can be by any artificial arrangement; and trades unions are simply an intrusion upon the domain of those laws, without the power to supplement or perfect their operation, and with a certainty of obstructing and perverting their tendency, with the inevitable result of mischief to all parties. If the unions do occasionally get an advance in wages, it would have come by the natural laws of competition among the capitalists. It might be delayed for a time, but if you calculate the loss of wages and suffering entailed by the strike, I think the workmen would be safer in the end to wait for the natural advance. I am clearly borne out in this view of the case of the capitalist by that great political economist, philosopher and thinker, John Stuart Mill, who was certainly no enthusiastic friend of the capitalist, and is an acknowledged friend of labor as widely as his writings are known, which is almost as extensive as civilization itself.

After laying down the principles of Socialism, Mill says:

> "Next, it must be observed that Socialists generally, and even the most enlightened of them, have a very imperfect and one sided notion of the operation of competition. They see half its effects, and overlook the other half; they regard it as an agency for grinding down every one's remuneration—for obliging every one to accept less wages for his labor, or a less price for his commodities, which would be true only if every one had to dispose of his labor *or his commodities to some great monopolist, and the competition were all on one side*. They forget that competition is the cause of high prices and values as well as of low; that the buyers of labor and of commodities compete with one another as well as the sellers; and that if it is competition *which keeps the prices of labor and commodities as low as they are*, it is competition which prevents them from falling still lower. In truth, when competition is perfectly free on both sides, its tendency is not specially either to raise or to lower the price of articles, but to equalize it; to level inequalities of remuneration, and to reduce all to a general average, a result which, in so far as realized (no doubt very imperfectly), is, on Socialistic principles, desirable. But if, disregarding for the time that part of the effects of competition which consists in keeping up prices, we fix our

attention on its effect in keeping them down, and contemplate this effect in reference solely to the interest of the laboring classes, it would seem that if competition keeps down wages, and so gives a motive to the laboring classes to withdraw the labor market from the full influence of competition, if they can, it must on the other hand have credit for keeping down the prices of the articles on which wages are expended, to the great advantage of those who depend on wages. To meet this consideration Socialists, as we said in our quotation from M. Louis Blanc, are reduced to affirm that the low prices of commodities produced by competition are delusive, and lead in the end to higher prices than before, because when the richest competitor has got rid of all his rivals, he commands the market and can demand any price he pleases. Now, the commonest experience shows that this state of things, under really free competition, is wholly imaginary. The richest competitor neither does nor can get rid of all his rivals, and establish himself in the exclusive possession of the market; and it is not the fact that any important branch of industry or commerce formerly divided among many has become, or shows any tendency to become, the monopoly of a few.

"The kind of policy described is sometimes possible where, as in the case of railways, the only competition possible is between two or three great companies, the operations being on too vast a scale to be within the reach of individual capitalists; and this is one of the reasons why businesses which require to be carried on by great joint-stock enterprises cannot be trusted to competition, but, when not reserved by the State to itself, ought to be carried on under conditions prescribed, and from time to time, varied by the State, for the purpose of insuring to the public a cheaper supply of its wants than would be afforded by private interest in the absence of sufficient competition. But in the ordinary branches of industry no one rich competitor has it in his power to drive out all the smaller ones. Some businesses show a tendency to pass out of the hands of many small producers and dealers into a smaller number of larger ones; but the cases in which this happens are those in which the possession of a larger capital permits the adoption of more powerful machinery, more efficient, by more expensive processes, or a better organized and more economical mode of carrying on business, and thus enables the large dealer legitimately and permanently to supply the commodity cheaper than can be done on the small scale; to the great advantage of the consumers, and therefore of the laboring classes, and diminishing, *pro tanto*, the waste of the resources of the community so much complained of by Socialists, the unnecessary multiplication of mere distributors, and of the various other classes whom Fourier calls the parasites of industry. When this change is effected, the larger capitalists, either individual or joint-stock, among which the business is divided, are seldom, if ever, in any considerable branch of commerce, so few as that competition shall not continue to act between them; so that the saving in cost, which enabled them to undersell the small dealers, continues afterwards, as at first, to be passed on, in lower prices, to their customers. The operation, therefore, of competition in keeping down the prices of commodities, including those on which wages are expended, is not illusive but real, and we may add, is a growing, not a declining fact."

One principle of the unions is exceedingly unjust to the workingmen to the last degree. It starts with the assumption that all workmen are equal in their capacity as to the quality of service or work and the quantity of production; and upon this false assumption is based the injustice of compelling all members to bind themselves to a uniform rate of pay. A greater injustice and a more flagrant inequity cannot be found in the whole range of the world's social institutions; nor is the wrong the less culpable because the members voluntarily inflict it upon themselves; for as "no man liveth unto himself" but has dependents for whom he is bound to do the best in his power, so no man is free to throw away to the less industrious or less competent what his superior abilities and industry have earned for himself.

This levelling system is not only in defiance of the law of varied endowment which the Creator has incorporated into the constitution of humanity, but it tends to bind into

one cast-iron man the entire working community, debarring them from all chances of progress and consigning them to a degrading condition of semi-slavery or serfdom. Time was when the way was clear to any workingman in this country to the highest positions of wealth, or of social standing or political influence. As a matter of fact, a large proportion of our present successful merchants, and not a few even of our millionaires, are men who have risen from the ranks of labor. The first steps in their progress were won by the superiority of their skill or faithfulness as workmen, which qualified them to rise step by step to higher achievements. Then, the workman was free to rise according to his abilities and his character; he was the free ruler of his own destiny. Now, it seems the tendency of the trades unions is to obliterate all such distinctions and virtually debar the workman from the possibility of earning a rank among his fellowmen proportioned to his merits; and on this plan the American workman would be as completely cut off from the chances of social elevation, as was the American slave twenty-five years ago. This would be a terrible degradation, of which every man who enjoys the rights of American citizenship should deem himself incapable and feel ashamed.

However much political leaders, and even some who rejoice in the reputation of economists, may feel disposed to regard these combinations as a social necessity of the time, and an institution that has come to stay, I cannot resist the conviction that the trades-union movement has already seen its culmination and is destined to a steady disintegration, unless the system is greatly modified. The principle of combination is useless unless it can be successfully employed to compel employers to accept the terms of the employees. In fact, it has been almost the sole object of the unions to employ it, through the agency of strikes, to compel the acquiescence of capital. Up to a recent period, it has been largely successful in this sense. So long as employers could at all afford to comply with the demands of labor, they would make considerable sacrifices to avoid the inconvenience and loss connected with the interruption of their operations involved in a strike. At last, however, the workingmen advanced their demands to a pitch so seriously threatening to industry and so vitally dangerous to the material interests of the country at large, that employers saw, with common consent, that the time had come when a square issue must be made with this modern invasion on their rights.

The spring of 1886 will always be memorable, for its having brought to a fair test the power and principles of trades-unionism. Strikes were suddenly initiated on a stupendous scale, upon the railroads, among the western factories, and among the larger employers in the Middle States, partly to enforce demands for higher wages, partly to shorten the time of work to eight hours a day, and above all, to compel employers to recognize the leaders of the unions in determining the conditions of employment and to submit all disputes between the two parties to arbitration. Employers, simultaneously, but without any concert of action, met the challenge squarely. They refused to concede the demands made; they in many instances declined to recognize the officers of the

unions; they proceeded promptly to fill the places of the strikers with non-union men, and refused to make formal conditions with returning strikers; they brought to bear upon the leaders of the strikes the laws against conspiracy; and they took the "boycotters" before the courts. The result of this treatment was an almost universal failure of the strikers; the declaration by the courts that the compulsory methods of the unions are illegal, and in the nature of conspiracies; the throwing out of employment of tens of thousands of union employees, and the exhaustion of the funds raised by the unions for enforcing their coercive tactics.

The result of the contest was that, within one brief month, the power of the unions was shown to be weakness itself; employers everywhere discovered the intrinsic importance of the combinations they had so much before dreaded, and very many respectable and reflecting members of the unions felt themselves discredited in the eyes of the public, while their faith in the efficiency of their system of supposed protection was seriously shaken. After this, if I am not seriously mistaken, employers will find that they have much less to fear from trades-unions than they had once supposed. A defeat so fundamental as this, is likely to be followed by the gradual dispersion of the formidable array of united workmen. Such a result is no more than is to be reasonably expected from an organization based upon no great truth and no sound principle, but resting upon popular ignorance and misconception of the natural laws governing society.

During the progress of the recent strikes, I had occasion to make frequent allusions to the course of events, from which I may be permitted to make the following quotations:

(The following appeared on the 3d of May.)

> "The Knights of Labor have undertaken to test, upon a large scale, the application of compulsion as a means of enforcing their demands. The point to be determined is, whether capital or labor shall, in future, determine the terms upon which the invested resources of the nation are to be employed.
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> "To the employer it is a question whether his individual rights as to the control of his property shall be so far overborne as not only to deprive him of his freedom, but also expose him to interference seriously impairing the value of his capital. To the employees, it is a question whether, by the force of coercion, they can wrest, to their own profit, powers and control, which, in every civilized community, are secured as the most sacred and inalienable rights of the employer.
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> "This issue is so absolutely revolutionary of the moral relations between labor and capital, that it has naturally produced a partial paralysis of business, especially among industries whose operations involve contracts extending into the future. There has been at no time any serious apprehensions that such an anarchical movement could succeed, so long as American citizens have a clear perception of their rights and their true interests; but it has been distinctly perceived that this war could not fail to create a divided, if not a hostile feeling, between the two great classes of society; that it must hold in check not only a large extent of ordinary business operations, but also the undertaking of those new enterprises which contribute to our national progress, and that the commercial markets must be subjected to serious embarrassments.
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> "From the nature of the case, however, this labor disease must soon end one way or another; and there is not much difficulty in foreseeing what its termination will be. The demands of the Knights and their sympathizers, whether openly expressed or temporarily concealed, are so utterly revolutionary of the

inalienable rights of the citizen, and so completely subversive of social order, that the whole community has come to a firm conclusion that those pretensions must be resisted to the last extremity of endurance and authority; and that the present is the best opportunity for meeting the issue firmly and upon its merits. The organizations have sacrificed the sympathy which lately was entertained for them, on account of inequities existing in certain employments; they stand discredited and distrusted before the community at large as impracticable, unjust and reckless; and, occupying this attitude before the public, their cause is gone and their organization doomed to failure. They have opened the flood gates to the immigration of foreign labor, which is already pouring in by tens of thousands; and they have set a premium on non-union labor, which will be more sought after than ever, and will not be slow to secure superior earnings by making arrangements with employers upon such terms and for such hours as may best suit their interests. Thus, one great advantage will incidentally come out of this crisis beneficial to the workingman, who, by standing aloof from the dead-level system of the unions, will be able to earn according to his capacity, and thereby maintain his chances for rising from the rank of the employee to that of the employer. This result cannot be long delayed, because not only is loss and suffering following close upon the heels of the strikers, but the imprudences of their leaders are breeding dissatisfaction among the rank and file of the organizations, which if much further protracted, will gravely threaten their cohesion. It is by no means certain that we may not see a further spread of strikes, and possibly with even worse forms of violence than we have yet witnessed; but, so long as a way to the end is seen, with a chance of that end demonstrating to the organizations that their aspirations to control capital are impossible dreams, the temporary evils will be borne with equanimity. The coolness with which the past phases of the strikes have been endured, shows that the steady judgment of our people may be trusted to keep them calm under any further disturbance that may arise.

"Prior to the strike in the Missouri Pacific, Jay Gould was one of the most hated men in the people. He was anxious to have public respect and sympathy. He had made all the money he wanted, and was willing to spend part of it in gaining the respect and honor of the country. What his money could not do for him this strike on the Missouri Pacific has done. The sympathy and good-will which previously were with the strikers have been shifted from them to him. There is no doubt that the strikers selected the Missouri Pacific because it was a property with which Gould was known to be most largely identified, and because they thought that general execration would be poured out on him in any event. But, instead of injuring Mr. Gould, they have done him inestimable service.

"The timely and forcible action of Mayor Harrison, of Chicago, will put dynamiters and rioters where they belong, and thus divide the sheep from the goats in a very short time. If officials would sink political bias, the country would soon be rid of law-breakers and disturbers of the peace. As this plan of treatment has now been adopted, it will be far reaching in its effect, and stop mob gatherings, riotous speech-making, and other such bad incentives, which recently have been so conspicuous in Chicago, Milwaukee, St. Louis, and elsewhere. The laboring classes, who are parties to the strike, will now have an opportunity to retire to their homes, where there will be more safety than in the streets, which will bring to them reflection. They will then soon become satisfied that they are the aggrieved parties, and the not unlikely result will be their turning upon their leaders, who have deceived them.

"There have been numerous vacancies created by the strikers voluntarily resigning. There has been no difficulty in filling these vacancies by those who are equally capable, if not more so, from other countries flocking to our shores. The steam ferry between this country and Europe has demonstrated this by the steamer just arrived in six days and ten hours from European shores to our own. As the separation between the oppressed operatives of the Old World and America is thus reduced to hours, Europe will quickly send to us all the labor we need to meet all such emergencies.

"The laboring man in this bounteous and hospitable country has no ground for complaint. His vote is potential, and he is elevated thereby to the position of man. Under the government of this nation, the effect is to elevate the standard of the human race and not to degrade it. In too many other nations it is the reverse. What, therefore, has the laborer to complain of in America? By exciting strikes and encouraging discontent he stands in the way of the elevation of his class and of mankind.

“The tide of emigration to this country, now so large, makes peaceful strikes perfectly harmless in themselves, because the places of those who vacate good situations are easily filled by newcomers. When disturbances occur under the cloak of strikes it is a different matter, as law and order are then set at defiance. The recent outbreaks in Chicago, which resulted in the assassination of a number of valiant policemen through a few cowardly Polish Nihilists firing a bomb of dynamite in their midst, was the worst thing that could have been done for the cause of the present labor agitation, as it alienates all sympathy from them. It is much to the credit, however, of Americans and Irishmen that, during the recent uprisings, none of them have taken part in any violent measures whatsoever, nor have they shown any sympathy with such conduct.

“If the labor troubles are to be regarded as only a transient interruption of the course of events, it is next to be asked, what may be anticipated when those obstructions disappear? We have still our magnificent country, with all the resources that have made it so prosperous and so progressive beyond the record of all nations. There is no abatement of our past ratio of increase of population; no limitation of the new sources of wealth awaiting development; no diminution of the means necessary to the utilization of the unbounded riches of the soil, the mine, and the forest. Our inventive genius has suffered no eclipse. In the practical application of what may be called the commercial sciences, we retain our lead of the world. As pioneers of new sources of wealth, we are producing greater results than all the combined new colonizing efforts which have recently excited the aspirations of European governments. To the over-crowded populations of the Old World the United States still presents attractions superior to those of any other country, as is demonstrated by the recent sudden revival of emigration from Great Britain and the continent to our shores.”

CHAPTER XLVI.

AN IMPORTANT SYNOPSIS.

A Resume in Brief of the Leading Events Connected with Wall Street Affairs for Seventy-seven Years.

December, 1816.—The first savings banks in the United States went into operation.

July, 1820.—Great financial distress throughout America. The causes were excessive importations and a deranged currency.

August, 1833.—There was great commercial distress, caused by contraction by the United States Bank. The bank defended its course on the ground of the evident hostilities of the Administration, the public deposits, amounting to $10,000,000, having been withdrawn by order of the President.

May, 1837.—In this year commercial distress prevailed throughout the United States. On May 10th all the banks in New York city, by common consent, suspended specie payments, banks throughout the country following the example. In New York about 300 large failures took place. In Boston 168 failures were reported. In New Orleans houses stopped payment owing an aggregate of $27,000,000.

May, 1838.—The banks of New York and New England resumed payment after the suspension due to the panic of 1837. The Philadelphia banks resumed in August, 1838, and in January, 1839, there was nominal resumption throughout the country.

July, 1840.—The bill organizing the United States Sub-Treasury became a law. The act was repealed in 1841, but was re-enacted in 1846.

October, 1842.—The first sub-marine telegraph cable, the invention of Prof. Morse, was laid between Governors' Island and the Battery, New York, October 18th.

January, 1844.—The first telegraph line in the United States was erected. The telegraph was invented by Morse in 1837.

August, 1851.—The depression of this year reached its height on the 13th. A bad credit system had been in vogue, trade with California had not met expectations, imports had been large, exports of gold heavy, cotton declined in Europe, the banks contracted, property was sacrificed to raise ready money, mercantile credit was disturbed everywhere, and distress was general in all the cities. In Wall Street large blocks of stock were unloaded and the market was broken. Erie went from 90 to 68¾. Later in the month money became easier, prices advanced, and the market resumed its ordinary aspect.

October, 1851.—Panic regarding the value of State money. The Metropolitan Bank made war on the country banks to compel them to deposit with it against their notes, which were extensively circulated in the city. After receiving their bills the Metropolitan Bank demanded their redemption in specie. This led to many suspensions. The bills were well secured by State stocks, and the Metropolitan continued to receive them. As brokers refused to take State moneys of any kind there was a rush to the Metropolitan, and a panic prevailed. Ultimately the brokers bought the bills at a discount and made large profits. Their purchases gradually restored confidence, but not before four country banks had failed.

July, 1853.—A panic in the stock market in consequence of bank contraction. The State Legislature enacted that the banks should publish weekly, in the New York *Times*, statements of their condition. In preparing for this statement the banks called in a large portion of their loans, and ran after each other for specie. The panic was of short duration.

October, 1853.—Simeon Draper, a railroad banker, failed.—Stocks were depressed on the 19th, in consequence of bank contraction. There were several failures.

January, 1854..—California defaulted in its interest on the 1st, and there was much alarm in financial circles in consequence.

February, 1854.—Heavy failures in California.

May, 1854.—The New York, Newfoundland & London Telegraph Company was organized, and was the first company to attempt Atlantic cable telegraphy.

July, 1854.—Robert Schuyler, President of the New York & New Haven Railroad Company, fraudulently issued nearly $2,000,000 stock of the company. About the same time fraudulent entries, made by Secretary Kyle, were discovered in the stock ledger of the Harlem Company, amounting to about $470,000. Frauds were also discovered in the affairs of the Parker Vein and the Vermont Central railway companies. In consequence there was a rapid decline in the stock market, and many suspensions occurred in New York, Boston and Philadelphia.

September, 1854.—A severe twist in Erie stock on the 13th.

October, 1854.—Frauds on the Ocean, American Exchange and National banks were discovered.

December, 1854.—There was a severe run on the savings banks of the city of New York on the 9th.

September, 1855.—A financial panic in San Francisco and many failures of prominent bankers.

September, 1856.—Charles B. Huntington committed forgeries amounting to $15,000,000 or $20,000,000. The forgeries were used as collateral security for raising money, and for a time were taken up before maturity.

April, 1857.—Freight-train men on the Baltimore & Ohio struck. Trains were molested and many fights occurred. The military were called out and a desperate fight ensued, in which many were killed and wounded.

August, 1857.—The financial panic of this year began on the failure of the Ohio Trust Company, with liabilities about $7,000,000. Banks either failed or suspended specie payments everywhere. The New York banks resumed in December. Business was generally prostrated until the following spring, when improvement became perceptible.

July, 1860.—Congress authorized a war loan of $250,000,000. The National debt was $64,640,838.11. It reached $2,756,431,571, its greatest point, in 1885.

August, 1860.—Treasury notes to the amount of $50,000,000 were authorized by Congress.—The first well ever sunk for oil, and the first petroleum ever obtained by boring. The well was at Titusville, Oil Creek, Pa. It gave 1,000 barrels a day. This was the beginning of the petroleum business.

December, 1860.—The Southern banks suspended specie payment on the 12th.

April, 1861.—The lowest price at which United States bonds sold during the war was 75 for the 5s of 1874, quoted in this month.

December, 1861.—The National Bank system was recommended by Secretary Chase. —A premium for gold was quoted at the New York Stock Exchange for the first time, on the 30th.

April, 1862.—Gold was first quoted at a premium on the 12th, and by October 1 it had advanced to 123.

February, 1864.—Speculation in stocks was “rampant” and “wild.”

March, 1864.—There was a panic in the coal stocks on the 10th.—The month was noted for a rapid rise in gold.

April, 1864.—A semi-panic in Wall Street on the 18th.

June, 1864.—National currency to the amount of $300,000,000 was authorized by Congress. The full amount was issued before the close of 1867.

August, 1864.—Gold touched 261¾, its highest point.

July, 1865.—The Stock Exchange made a rule inflicting a penalty on members who attended Gallaher's up-town night Exchange.

August, 1865.—Edward B. Ketchum, a junior partner in a prominent banking house in New York, forged gold certificates to the extent of $1,500,000, and they were negotiated at the banks. In addition he abstracted more than $3,000,000 from the vaults of the firm. The firm failed.

October, 1865.—Call loans were made as high a per cent. and a heavy commission added. Tight money checked a rise in stocks. Money was wanted in the West for the moving of crops. Relief came on the demand from the West subsiding, and by temporary loans from the Sub-Treasury to the banks.

November, 1865.—Prairie du Chien common stock was cornered. On the 6th 29,000 shares were bought at about 40. The trap being sprung 200 and more was demanded, and the shorts settled at rates ranging from 110 to 210. There were several failures. It opened on a Monday at 96; on Tuesday it ranged between 160 and 225, and closed on Saturday at 110.

December, 1865.—The new Stock Exchange building was opened for business on the 9th.

February, 1866.—Toward the close, on February 20th, everybody seemed to want to borrow money, and no one was willing to lend. The market verged on panic. People were afraid of the course of the Government in selling upwards of $12,000,000 gold.

April, 1866.—Michigan Southern was cornered. The price rose from 84 to 104. The pool closed out and the price dropped to 80 within 24 hours. Other corners were made in the same month in Reading, Rock Island, Hudson River, Cleveland & Pittsburg and Northwestern preferred. Money was plentiful and speculation was rampant.

May, 1866.—The marketing of Erie stock by Daniel Drew caused a drop in its price from 74½ on May 18th to 60½ on May 31st. The movement had very little effect on the remainder of the market.

July, 1866.—A panic in stocks followed the failure of Overend, Gurney & Co., London bankers.

August, 1866.—London markets were first quoted by Atlantic cable in New York.

November, 1866.—There was heavy speculation in stocks, produce, dry goods and real estate. Poor men became rich by a single turn of the wheel. Unexpectedly the Treasury drew about $15,000,000 for its own purposes, money became tight and the

bears became very active. Prices declined about 10 points, and outsiders lost upwards of $25,000,000.

December, 1866.—Northwestern preferred and Cumberland Coal were cornered.

January, 1867.—Prices broke on the 18th with a rush. Cumberland Coal declined 55 points, and the general list went off in sympathy. There were several failures. Money was tied up by bear operators.—President Yelverton, of the Bank of North America, on learning of the failure of A. J. Meyer & Co., the firm having overdrawn its account $219,000, was seized with apoplexy and died.

May, 1867.—A pool in Erie was broken by the sale of a large block of English stock.

October, 1867.—Daniel Drew was turned out of Erie, and the stock advanced 10 points.

December, 1867.—Vanderbilt secured control of New York Central.

January, 1868.—A corner in Rock Island was broken, owing to the company throwing 49,000 shares on the market. The stock declined heavily.

February, 1868.—The contest between Drew, Vanderbilt and Frank Worth was at its height.

April, 1868.—There was a break in Atlantic Mail, with subsequent complications.

June, 1868.—An unsuccessful attempt to corner Pacific Mail was made.

July, 1868.—Jay Gould became president of Erie.

October, 1868.—Money became stringent, owing to the withdrawal of funds from New York for the West. The associated banks lost $20,000,000 in deposits and $12,000,000 in legal tenders, with a reduction of only $9,000,000 in loans. Special efforts were made to break the stock market, but the bull leaders had provided themselves with time loans, running to the end of the year, and were thus enabled to hold prices.

November, 1868.—Erie was cornered, and a panic extending through the whole list occurred. It was helped by the inability of a leading operator, a director of St. Paul, to meet puts on that stock. The common and preferred fell about 20 points. Erie made an extraordinary issue of shares. Later on money became more plentiful, prices advanced and the market became very strong.

April, 1869.—A bill to consolidate the New York Central and the Hudson River railroad companies passed the Legislature.

May, 1869.—The New York Stock Exchange and the Open Board of Brokers were amalgamated under one management. The new Exchange began business with 1,030 members and $750,000 in its treasury.—The era of consolidations. Active stocks

advanced to prices never before reached. New York Central sold at 192-5/8. A movement to depress prices at the close of the month met with some success.—The last rails of the Union Pacific and Central Pacific railroads were laid. Trains began running across the continent on the 15th.

June, 1869.—Many brokers failed, the result of a successful bear attack on the market.

July, 1869.—Heavy speculation in the Vanderbilt stocks. New York Central advanced to 217-7/8. Money was stringent.

September, 1869.—New York Central dropped 25 points on the 22d, and a panicky feeling was developed.—Gold reached 165 on Friday, the 24th—Black Friday. Transactions ran up into hundreds of millions, and business was conducted with so much confusion that bids running from 135 to 160 were made at one and the same time in different parts of the room. Between 11 and 12 o'clock the shorts settled on a basis of 148@158, the market price being 5@15 higher. At noon it was officially announced that the Government would sell gold next day and buy bonds, and within 15 minutes the price had fallen to 135, and the great speculation had collapsed.

April, 1870.—The cliques who had bought stocks on the decline after Black Friday, started an upward movement in the last week of the month. The public came in and top figures were reached about May 10. The cliques unloaded, turned bears, depressed prices until margins were wiped out, bought in again at the decline and were ready for another advance.

May, 1870.—The process of "shearing the lambs" was repeated in this month.

June, 1870.—James Boyd, carrying 40,000 shares of stock and $5,000,000 gold, failed. The market showed signs of breaking, but was sustained by the cliques.

July, 1870.—Congress authorized an addition of $54,000,000 to the national currency.

January, 1871.—A prominent operator repudiated his orders to buy Reading. Several brokers failed in consequence. The market was only slightly depressed.

April, 1871.—There was much speculative excitement in the stock market.

June, 1871.—Rock Island was cornered. The pool began buying at 114½ and advanced it to 130-7/8. On liquidation the stock declined to 110. Many failures occurred and bad faith was charged.

October, 1871.—The week beginning October 9, 1871, was one of the most eventful in the history of the Stock Exchange. The banks had expanded beyond precedent and were compelled to contract loans to raise money for crop purposes. The payment by France to Germany in settlement of war claims caused the Bank of England rate to

advance from 3 to 5 per cent., and produced a feeling bordering on panic in London. The New York market was very sensitive when news of the Chicago fire came. Prices broke 4@10 points. On Tuesday there was great excitement; sales were enormous and fluctuations wide. On Wednesday there was a rally on the belief that the Government would purchase 5-20s. The lowest prices, however, were made on Thursday. On Friday there was more steadiness and prices were higher. The bank statement was favorable and matters quieted down.

December, 1871.—The Ocean National Bank, the Union Square and the Eighth National Bank failed. Money was scarce, but stocks were firmly held. Operators and brokers were loaded up with stocks and they sustained prices, awaiting an opportunity to get out.

March, 1872.—The Erie revolution occurred. The Board of Directors was overthrown, and Jay Gould resigned the presidency. Gen. Dix became his successor. The operation caused great activity in the stock market, and money became tight.

June, 1872.—Stock dividends on Lake Shore and Michigan Central were declared.

August, 1872.—Gold was cliqued.

September, 1872.—Erie was cornered. The Gould-Smith clique was short of it. The stock first became scarce on purchases by German brokers for foreign account. Then Drew became a heavy purchaser. At the same time the German brokers were long of gold, and with the double idea of punishing them and compelling those carrying Erie to sell out the Gould-Smith clique endeavored to lock up money. This plan was defeated by the refusal of two banks to pay out legal tenders on certified checks. Just then, too, the Government bought $5,000,000 bonds and sold the same amount of gold. This completely broke the speculative manipulation of money, and a panic was averted. During the height of the panic there were no quotations for money. Among the failures of the week were Northrup, Chick & Co., bankers, the Glenham Woolen Manufacturing Co., Paton & Co., dry goods, George Bird, Grinnell & Co., stock brokers, Hoyt, Sprague & Co. and A. & W. Sprague. The banks suspended their weekly statements, and they were not resumed until late in November.

November, 1872.—Jay Gould was arrested on criminal charges based on his management of the Erie Railroad. He surrendered securities, the face value of which was more than $9,000,000, in December.—Northwestern was cornered. It opened Nov. 20 at 83¾ and closed at 95. On Thursday it sold at 100, and at the close on Friday 200 was bid. On Saturday buying in under the rule ran the price up to 230. The settlement was made on the following Tuesday, when the price declined to par, the highest bid made being 85. Jay Gould, Horace F. Clark and Augustus Schell conducted the corner, while the cornered were Drew and Henry N. Smith. It was one of the most profitable corners ever made in Wall Street.

February, 1873.—There was a noted corner in Northwestern.

April, 1873.—The preliminary panic of the year occurred in this month. The stock market was uneasy. The failure of a firm of silk importers was followed by that of Barker & Allen, the members of which were related to Vanderbilt. Three other firms also failed. Confidence returned and quiet prevailed until the 26th, when the Atlantic Bank failed. This brought about another depression, which was followed by a quick rally.

May, 1873.—Heavy break in Pacific Mail. The further retirement of greenbacks was prohibited by Congress.

August, 1873.—Fraud was discovered in the issue of certain bonds of the New York Central & Hudson River Railroad.

September, 1873.—The New York Warehouse & Security Company failed on the 8th; Kenyon, Cox & Co., in which Daniel Drew was a special partner, on the 13th; Jay Cooke & Co. on the 18th, and Fisk & Hatch on the 19th. Innumerable brokers failed. There were runs on the Fourth National Bank and the Union Trust Company. The secretary of the company was a defaulter to the extent of $500,000, and its doors were closed. The Bank of the Commonwealth failed. There was a panic in the stock market, and the excitement ran so high that the Governing Committee closed the Exchange at 11 o'clock on Saturday, the 20th. The Gold Exchange Bank was unable to effect all the clearances, and dealers were unable to get their balances. The result was the temporary suspension of some dozen firms. The Gold Exchange Bank having been enjoined by the courts from making the clearances, the Bank of New York undertook the job and failed in it. Next a committee of 20 was appointed to do the work, but it failed also, because Smith, Gould & Martin refused to render a statement to it. The final settlements were made between members themselves. Smith, Gould & Martin, with contracts amounting to $9,000,000, settled on a basis of 135. Business was resumed on Sept. 30.

December, 1873.—The Credit Mobilier was organized for the construction of the Union Pacific Railroad. It was composed of stockholders of the railway company, and had a capital of $3,750,000. Profits were large, and the stock was quoted at 400. Certain Congressmen were given stock at par on their personal notes, the object being to gain their favor in case adverse legislation was proposed. Oakes Ames, of Massachusetts, was expelled from the House for his connection with the bribery, and James Brooks, of New York, for accepting bribes. Other Congressmen were censured. A proposition to impeach Vice-President Colfax was reported against by the Judiciary Committee.

January, 1874.—The value of the pound sterling was fixed by Congress at $4.86.65.

February, 1874.—Two letters, purporting to come from the Wabash and Western Union companies, were received by the Stock Exchange, announcing an increase of

stock by the directors. The market went off three points before it was discovered that the letters were forgeries.

April, 1874.—The President's veto of the inflation bill unsettled prices and caused depression. The bears raided the market, causing a heavy decline, but a quick recovery followed.

February, 1875.—Wabash went in the hands of a receiver.

May, 1875.—A receiver for Erie was appointed.

July, 1875.—Duncan, Sherman & Co. failed.

August, 1875.—The Bank of California failed. Cashier Ralston committed suicide.

March, 1876.—Jay Gould made his famous attack on Western Union.

April, 1876.—The National Bank of the State of New York failed.

November, 1876.—Many savings banks failed.

January, 1877.—Commodore Vanderbilt died on the 4th.

February, 1877.—Jersey Central went into the hands of a receiver.

July, 1877.—Great railway strikes; rioting and incendiarism in Baltimore and Pittsburgh; losses $10,000,000. Over 100,000 laboring men took part in the movement.

January, 1878.—The Vanderbilt combination, including Michigan Central, Lake Shore and Canada Southern, was made in this month.

February, 1878.—The purchase of silver bullion by the Government to the amount of $2,000,000 to $4,000,000 per month, and its coinage into legal tender dollars, was ordered by Congress on the 28th.

May, 1878.—Congress passed the Resumption Act.

January, 1879.—Specie payments were resumed after the suspension which took place soon after the opening of the war of the rebellion.

April, 1879.—Gould and Field combined, and under their auspices the St. Louis, Kansas City & Northern and Wabash Railways were consolidated. Gould already had control of Union Pacific and Kansas Pacific, and afterward secured control of Missouri Pacific and Denver & Rio Grande.

June, 1879.—Western Union declared a scrip dividend of 17 per cent.

August, 1879.—There was a serious tumble in prices in this month.

October, 1879.—The stock market was very active in October and November. The bull movement of the year was at its height and transactions were so numerous that it

was impossible to record them all. The drop came in November.

November, 1879.—William H. Vanderbilt sold 250,000 shares of New York Central & Hudson River stock at 120 to a syndicate headed by J. S. Morgan & Co., of London. Early in the following year the same syndicate took 100,000 shares on the same terms.

May, 1880.—Philadelphia & Reading Railway and Coal and Iron Company failed. There was a flurry in the stock market in consequence.

June, 1880.—A scrip dividend of 100 per cent. to the holders of Rock Island stock on the purchase and consolidation of the Iowa Southern and the Missouri Northern with Rock Island.—A leading German Wall Street banking house, in view of the large exports of gold, offered a premium of 1/2 of 1 per cent. for a call on $1,000,000 gold, the privilege to extend for one year.

November, 1880.—The Louisville & Nashville declared a 100 per cent. stock dividend.—Western Union declined from 104-7/8, on November 22d, to 77½ on December 17th.—Jay Gould purchased most of the stock of the Denver, South Park & Pacific Railroad, in the following month a large block of Iron Mountain and a majority of the International & Great Northern.

December, 1880.—Seats in the New York Stock Exchange sold at $25,000. A great number of new securities were listed. So numerous were the combinations, consolidations and extensions of railways that in many cases the analogy with former periods was lost, and comparisons as to earnings were of little value. In 1886 seats in the Exchange sold at $35,000. In December, 1870, when speculation was stagnant and the market was clear of all outsiders, seats sold at $3,000.—B. G. Arnold & Co., the largest coffee importing house of New York, suspended. They were the principals in a combination to corner Java coffee, and met disaster in the attempt.

January, 1881.—Western Union, American Union and Atlantic & Pacific consolidated. The former company declared a stock dividend of 38¼ per cent. The capital stock was made $80,000,000.

February, 1881.—Call loans were made at 1 per cent. per day on the 25th.

May, 1881.—The Gould southwestern railway system was consolidated.

July, 1881.—President Garfield was shot by Guiteau. The stock market broke on the news of the shooting, and a panic was only prevented by the intervention of Sunday and the National holiday on Monday.—The Oregon war debt was paid.

August, 1881.—There was heavy speculation in wheat and corn in Chicago and New York. Money became scarce, and call loans were made at interest and commission.

September, 1881.—The Hannibal & St. Joseph corner.

January, 1882.—The trunk line railway war of rates was settled.—Gould and Huntington purchased a controlling interest in the St. Louis & San Francisco Railway and half the ownership of the Atlantic & Pacific Railway.

February, 1882.—The market showed some animation early in 1882, but it soon collapsed and became very weak. Bottom was touched on the 23d, the recovery being based on talk of a settlement of the then existing trunk line rate war.—Richmond & Danville plunged from 219 to 130 and a semi-panic ensued on the Stock Exchange.

March, 1882.—To allay reports that he was in financial straits, Mr. Gould, on the 13th, displayed his wealth. He took from a tin box $23,000,000 Western Union, $12,000,000 Missouri Pacific, $6,000,000 Manhattan Elevated, $2,000,000 Wabash common, and $10,000,000 bonds of Metropolitan, New York Elevated and Wabash preferred. He offered to show $30,000,000 additional railway stocks, but his visitors had seen enough.

October, 1882.—A syndicate headed by the late W. H. Vanderbilt purchased 124,800 shares of the common and 140,500 shares of the preferred stock of the New York, Chicago & St. Louis Railway at 13 and 37 respectively. This stock afterwards became the property of the Lake Shore & Michigan Southern Railway.

December, 1882.—The Municipal Bank of Shopin, Russia, failed with liabilities of $60,000,000.—The railway war in the Northwest lasted from September until December 15. On the announcement of the settlement the market improved and the year closed with a better feeling all around.

February, 1883.—Western Union absorbed Mutual Union by lease, the rental being interest at 6 per cent. on $5,000,000 bonds and 6 per cent. on $2,500,000 stock.

March, 1883.—A block of Hannibal & St. Joseph stock was sold to Chicago, Burlington & Quincy. At the same time Wabash was leased to Iron Mountain.—From the 19th until the close of the month there was great depression. Money on call loaned at 4@25 per cent. The public was heavily loaded with stocks.

May, 1883.—Jersey Central was leased to Reading.

June, 1883.—The National Petroleum Exchange and the New York Mining Stock Exchange consolidated.—McGeoch, Everingham & Co., of Chicago, failed in consequence of an unsuccessful attempt to corner the lard market. The firm lost $6,000,000.—The movement against the circulation of trade dollars at par was begun in Philadelphia and extended throughout the country.

July, 1883.—Western Union Telegraph operators struck for increased pay. The strike lasted a month and ended in failure.

October, 1883.—A notable feature of 1883 was the gigantic losses made in speculative operations. The failures of McGeoch, of Chicago, and Ranger, of Liverpool, were notorious instances, but thousands of private individuals were squeezed out by the pressure.—In the summer and fall of this year there had been a shrinkage in prices of stocks, when, in October, the Northern Pacific Company announced a proposed issue of $20,000,000 new bonds. This precipitated a heavy decline in nearly the whole list. The market became largely oversold, when a sharp twist was made in a number of stocks, and prices advanced with great rapidity. Northern Pacific preferred jumped from 56 to 78½ within a few days, and Oregon & Transcontinental went from 34½ to 51. Then Vanderbilt came into the market and put up Michigan Central from 77 to 96½, and the other Vanderbilt stocks to a less extent. Great depression followed this manipulation.

December, 1883.—The mercantile failures in 1883 amounted to $173,000,000, against $81,000,000 in 1881.—The triple alliance between Union Pacific, Rock Island and St. Paul was made.—Villard resigned from Oregon & Transcontinental and Oregon Railway & Navigation.

January, 1884.—Firmness in the market on the announcement that a syndicate had made a large loan to Oregon & Transcontinental on the pledge of its stocks. A quick move against the shorts caused a sharp advance.—Henry Villard resigned the presidency of the Northern Pacific Railroad.—John J. Cisco & Co., New York bankers, failed.—The surplus reserve of the New York National banks was wiped out.—James R. Keene, operator in wheat, failed.

March, 1884.—There was a squeeze in New York Central. It sold up to 122.—Delaware, Lackawanna & Western was cornered, and its price was run up to 133-1/8 regular and 139½ cash. S. V. White managed the pool. Another move in the same stock was made later in the year. The pool closed out at an average of 102. Then the stock dropped to 86¾.

May 6, 1884.—The Marine Bank failed May 6th, wrecked by Grant & Ward. Grant & Ward suspended two days later.,

May, 1884.—During the panic the New York banks issued Clearing House certificates to the extent of $24,915,000, of which $7,000,000 went to the Metropolitan Bank. Similar certificates, to the amount of $26,565,000, were issued in the panic of 1873.—The height of the panic was reached on the 14th. The storm had been brewing for nearly three years, but it was in no sense a commercial panic. Stock Exchange values had shrunk to an unparalleled degree, and the crash was precipitated by the developments regarding Grant & Ward, John C. Eno, Fish, of the Marine Bank, and a few others. The disturbance was over by July 1.—The Metropolitan Bank failed. Eno's frauds on the Second National Bank discovered. George I. Seney failed. The Atlantic Bank failed.

June, 1884.—The greatest depression following the May panic was reached. Large overselling led to a sharp rally.—Charles Francis Adams, Jr., became president of the Union Pacific.

August, 1884.—The Wall Street Bank failed.

November, 1884.—The Metropolitan Bank, on May 15th had $11,294,000 in deposits; on October 1st $1,338,000, and in November it went into liquidation and retired from business.

December, 1884.—The Lackawanna pool of 1884 closed out its holdings on the 12th, and there being no further support to the market prices declined, and the year closed with much depression.—The largest corn crop ever grown in the United States was that of 1884. It was estimated at 1,800,000,000 bushels.

January, 1885.—Henry N. Smith, a noted bear operator, failed, and carried down with him the brokerage firm of William Heath & Co.

November, 1885.—The trunk lines came to an agreement and advanced rates. This gave confidence, and an upward movement was started. The Vanderbilts and the Grangers were the features of the market.

December, 1885.—Texas Pacific stock collapsed. A receiver was appointed for the property on the suit of the Missouri Pacific, a large holder of its floating debt.—William H. Vanderbilt died suddenly on the 8th. The fact was not known down town until after business hours, but it had a very unsettling influence. The next morning the market opened 1@3 points lower, but the bulls had combined to support prices, and bought freely. In many instances prices were higher at the close than on the previous day.

February, 1886.—The trans-continental pool was ruptured. The railroads declined to continue to pay the subsidy demanded by Pacific Mail.

March, 1886.—Western Union declared a scrip dividend of 1½ per cent. for the quarter. The scrip was made convertible into stock, and carried the same rate of interest as the stock.—The representatives of the coal companies met at a dinner party and reached "an agreement among gentlemen" that the anthracite coal production for the year should not exceed 33,250,000 tons.—F. B. Gowen joined the Drexel-Morgan syndicate for the reorganization of Reading. The announcement caused a rapid advance in all coal stocks.—The great strike on the Gould system of railroads, inaugurated on the 7th, failed.—Heavy engagements of gold for shipment abroad were made.

April, 1886.—Wabash, St. Louis & Pacific were sold in foreclosure.—Labor strikes at their height. The Lake Shore switchmen struck in Chicago, and the Third Avenue horse car drivers in New York. The troubles had a depressing influence on the stock market.

May, 1886.—Charles Woerishoffer, bear operator, died May 9.—Chicago anarchists attacked the police with bombs, killing and wounding many. Police used revolvers freely and many rioters fell. Anarchists were sentenced to death.—The strike on the Southwestern system was officially declared off on the 1st. The men were completely beaten after a contest of six weeks.—Tasker Marvin, bull operator, failed. Marketing of long stock caused decline. The depression was aided by existing labor troubles.

June, 1886.—Western Union passed its dividend.

November, 1886.—The managers of the trunk lines reaffirmed the presidents' agreement of the previous year to maintain rates.—Richmond & West Point Terminal became very active and strong on the purchase by the company of the control of Richmond & Danville.—There were extraordinary buoyancy and speculative activity in stocks. Low priced non-dividend payers were largely dealt in. One specialty after another was "boomed," and in some instances large profits were made.

December, 1886.—About $10,740,000 in gold was imported at New York during the month.—Prices toppled over on the 15th. All kinds of cheap stocks had been boomed by cliques, when, on money becoming tight, there was a rush to realize. Sales reached the unprecedented figure of 1,095,159 shares. The most conspicuous stocks in the decline were Philadelphia & Reading and New York & New England. No financial disaster or failure of importance occurred. There was much uneasiness for several days, but a better feeling soon set in, although speculation was checked by the prevailing high rate for money.—The Inter-State Commerce bill was introduced in Congress.

January, 1887.—On a report that Hocking Valley had suffered by irregularities of former directors, stock broke 1½ points. The consumption of iron in the United States exceeded that of Great Britain for the first time in 1886. The Inter-State Commerce Bill was passed by the House Jan. 21, by a vote of 5 to 1. European war rumors caused foreign selling and a break in the market of 2 to 5 points. There was a complete recovery on the following day.

CHAPTER XLVII.

INTERNATIONAL SIGNIFICANCE OF THE BARTHOLDI STATUE.

GREAT AS AN ACHIEVEMENT OF ART, BUT GREATER AS THE EMBODIMENT OF THE IDEA OF UNIVERSAL FREEDOM THE WORLD OVER.—IT IS A POETIC IDEA OF A UNIVERSAL REPUBLIC.—ENLIGHTENMENT OF THE WORLD MUST RESULT IN THE FREEDOM OF MAN.

The following was sent by me to the New York *World*, as briefly embodying my views on Bartholdi's great work, a few days prior to the dedication of the Statue of Liberty:

"When, several years ago, the gigantic forearm, with the torch in its hand, of the Statue of Liberty was exhibited in Madison square, the people who gazed at it with idle curiosity had little idea that the mammoth structure of which it was a part would so soon be completed, or that it would be so great an achievement as it now stands. Thanks to the New York *World*, which gave the impetus to the subscription fund movement, which enabled the great sculptor to realize the greatest artistic dream of his life within a reasonable period. Some people may imagine that the time has been long, but many people who understood the magnitude of the work, and observed the slowness of the subscriptions, had no hope of seeing it finished in this generation prior to the time the subscription for the pedestal was under way.

"Until the last few days, when this colossal goddess arose on Bedloe's Island in all her full, finished and magnificent proportions and artistic splendor, like the ancient divinity emerging from the foam of the sea, the people did not begin to realize the magnitude of Bartholdi's idea. In mere mechanical size the statue with its appurtenances excel anything and everything of the same character in the world. It is the biggest thing of its kind either ancient or modern, and is, therefore, the most appropriate emblem to show forth the evolution and the international and historic associations of the two greatest Republics that the world has yet seen. The Colossus of Rhodes, the great Sphinx and other colossal statues sink into insignificance when compared with the latest production of Bartholdi's brain.

"But great as the statue is as a work of art, the international idea which it embodies is greater still. When taken in connection with that earlier and comparatively insignificant effort of the same eminent artist, the Statue of Lafayette in Union square, the Colossus of Liberty suggests a whole century of history, replete with greater events than the thousand years which preceded it. In these two statues the interdependence of the two great nations is clearly portrayed, and their destiny as the pioneers of universal Republicanism brought out in bold relief. If Tennyson's poetic dream of a universal Republic is ever to be realized it will come through the idea which the chisel of Bartholdi has immortalized, and which the *World* has been chiefly instrumental in providing with a local habitation and a name on Bedloe's Island. European monarchs are now trembling on their thrones, which are doomed to crumble into ruins at no distant day, through the very idea which 'The Statue of Liberty Enlightening the World' is destined to propagate from this day forward in its imposing position in our spacious harbor. The Israelites of old were cured of their bodily maladies by gazing at a serpent erected on a pole. In a similar way the politically afflicted and oppressed of all nations, as soon as they emerge through the narrows of our magnificent bay, either by day or night, will find a panacea for all their ills in the sight of that wonderful statue, with all that its name implies.

"And one word as to what is in that name which has been so severely criticised. On account of it Americans have been charged with egotism, but those who talk in this way seem to forget that Bartholdi himself, as the representative of the French nation, is the author of the name. So, as it comes from him in his representative capacity, we can receive it with good grace, and without being amenable to any such charge as that referred to. Taken, with all its broad, historical associations, I don't think the name is at all too pretentious. I have no hesitation in predicting that, ere the present century draws to a close, results will fully justify the assumption.

"The magnificent gift of the French people, and the years of toil and study which Bartholdi has devoted, gratis, to his unprecedented labor of love, cannot fail of the great and only reward which both have so earnestly and magnanimously sought, namely—to enlighten the world."

CHAPTER XLVIII

LARGE FORTUNES AND THEIR DISPOSITION.

How the Fortunes of the Astors were Made.—George Peabody and his Philanthropic Schemes.—Johns Hopkins and his Peculiarities.—A. T. Stewart and his Abortive Plans.—A Sculptor's Opinion of his Head.—Eccentricities of Stephen Girard, and How he Treated his Poor Sister.—His Penurious Habits and Great Donations.—James Lenox and the Library which he Left.—How Peter Cooper Made his Fortune, and his Liberal Gifts to the Cause of Education.—Samuel J. Tilden's Munificent Bequests.—The Vanderbilt Clinic.—Lick, Corcoran, Stevens and Catharine Wolf.

I shall take a short review in this chapter of some of the most prominent wealthy men who have been the architects of their own fortunes, and comment briefly on their methods of disposing of their estates.

In the United States, John Jacob Astor was one of the first to arrest public attention in the matter of large fortunes. Before his day there were few, if any, millionaires on this side of the Atlantic. Now there are thousands of these lucky individuals. It is true, George Washington, the Father of our country, was very comfortably fixed, and supported aristocratic style in his domestic life, but he probably never was worth more, all told, than $200,000. It is singular that none of his successors have ever been worth even this amount. It was believed at one time that Grant had accumulated a large amount of money and value, and was fast approaching the financial status of a millionaire, but this popular delusion was suddenly dispelled when he and his family were victimized by the first young Napoleon of finance, Ferdinand Ward.

The founder of the now wealthy house of Astor and of the Astor Library died in 1848, at the age of 85. He left the greater bulk of his estate to his son, William B. Astor. He bequeathed $400,000 to the Astor Library, also a few legacies, amounting in all, the library inclusive, to about $500,000. His wealth, at the time of his death, was estimated at twenty millions, a very large fortune at that time.

William B. Astor, who died in 1875, left $250,000 to the library, and the large balance of his estate to his sons and widow.

The Astors have been characteristic for their benefactions, in a quiet way, to a large number of public objects. Their estate is remarkable for the way it has been kept intact, and for its steady and considerably rapid improvement, and they are popular as landlords.

The elder Astor who came to this country from Waldorf in Germany, near Heidelberg, before he was 20 years of age, and who started in life dealing in furs, had a grand scheme on foot at one time for monopolizing the fur trade of the whole world, which he had calculated would then have brought him a million dollars a year. He was diverted from this purpose by the large profits which he found in real estate, by dealing in which he made most of his money; and the family has steadily adhered to this line of speculation and investment through two generations.

The native American who, perhaps, ranks above all others in the munificence of his gifts, and the beneficence of his purpose was George Peabody. He was a poor Massachusetts boy, who, by hard industry, arose to be one of the largest millionaires of his day. He was also a philanthropist in the highest sense of the term. His fortune at one time probably exceeded ten millions. His well-known benefactions, during his life, exceeded seven million dollars, and it is supposed that he gave away vast amounts in charity of which no definite account was kept.

Shortly before his death, in 1869, he bequeathed two and a half millions as a building fund for lodging houses for the poor of London, and devised for a Southern Education Fund two million one hundred thousand. In addition to these he left five millions to various relatives. J. S. Morgan, who was Mr. Peabody's partner in the banking business, became, at his death, his successor, and is now supposed to be a richer man than Mr. Peabody ever was.

Johns Hopkins, who died at Baltimore in 1873, at the age of 78, was one of the most eccentric millionaires and philanthropists. Very few expected that he would bequeath the great university and the hospital which are called by his name. He was so wretchedly penurious that he hardly afforded himself the means of subsistence. His benefactions to these two institutions, however, exceed eight million dollars.

Alexander T. Stewart, the great dry goods merchant, who was reputed to be one of the three wealthiest men in the United States, Commodore Vanderbilt and John Jacob Astor being the other two, died in 1876. He had no legitimate heirs, and his estate, estimated at one time between twenty and thirty millions, was left to his wife, with the exception of a million to Judge Hilton and $325,000 to his employes.

Mr. Stewart's two great benefactions were failures, as he left nobody able and willing to carry out his intentions in regard to their arrangement.

They would probably have been failures in any event, as they seemed to the majority of people to be in a large measure Utopian. One was Garden City on Long Island, intended to be homes for industrious mechanics on a higher and more comfortable scale than the majority of the dwelling of these sons of physical and intellectual toil. A grand cathedral was built there in memory of the merchant prince, and a beautiful crypt for his mortal remains, which were stolen from St. Mark's churchyard shortly after the interment.

The mechanics and laborers were not attracted to Garden City, and it is now making slow progress with tenants whose avocations are generally in the higher walks of life.

The other great enterprise was a home for girls and women at moderate expense. This was in the shape of a hotel on a large scale at Park Avenue and Thirty-third street. The restrictions and the prices were such that the home also failed to attract the class it was intended for. The public gift, therefore, reverted to the Stewart estate, or rather was taken forcible possession of by the trustees and transformed into the Park Avenue Hotel. To carry out the rather indefinite terms of the bequest would probably have involved the expenditure of a very large amount of the Stewart estate, and, perhaps, the enterprise would even then have been a failure. It is more than probable that if Mr. Stewart had lived a few years longer, he himself would have been satisfied with the impracticability of both his semi-philanthropic schemes.

There were great things expected in the shape of benefactions from Mr. Stewart at the time of his death. He had done so little in that respect while living that the public indulged the hope that he would make up for his charitable shortcomings when he found that his worldly accumulations could no longer be of any service or gratification to him, and that he could not take any of them away with him.

Hence, it was a considerable disappointment to the public when the will revealed the fact that nothing had been devised, out of the immense hoard of nearly half a century's savings, to charitable purposes.

On the day of his death I had an engagement with my dentist, Mr. Dwinell, in Thirty-fourth street, and while I was seated in the chair Mr. Wilson MacDonald, the well known sculptor, came in to pay a visit to the dentist, with whom he was well acquainted. Having been introduced by the sculptor, we immediately entered into conversation on the prominent local topic of the day, the death of Mr. Stewart and the probable distribution of his wealth.

Mr. MacDonald invited me to go to his studio to see a bust in clay of Mr. Stewart that he had just about finished. He said, "I knew Mr. Stewart's aversion to having any portraits or photographs taken of himself during his lifetime, so I provided for the emergency some time ago by taking close observation of him at various intervals. During the past two years I have frequently come in contact with him, going into his

store and getting a good look at him from various points of view, so as to impress his likeness upon my mind. I have thus succeeded in getting a pretty good bust of him in clay."

Mr. MacDonald was very anxious that I should call and see this bust, because, as I knew Mr. Stewart so well, he inferred that my judgment would be worth something, and he expressed a desire that I should criticise his work. I promised him I would call and see the bust as soon as I could spare the time.

On leaving the dentist's office I made another engagement to go back the following week, and in the meantime I had been unable to call at the studio of the artist, but the latter happened to be in the office of the dentist when I called there again. The will of Mr. Stewart had been published in the interim, and in it all reference to charities and benevolent institutions had been carefully omitted.

Mr. MacDonald reminded me that I had not called to see the bust, and added, "If you had called that time you would hardly recognize any resemblance between what it is now and what it was then." "How is that?" I inquired. "Because," he replied (facetiously), "as soon as I saw the will published in the newspapers and none of that immense pile left to the public, from whom it had been collected, I set to work and toned down the bumps of benevolence, conscientiousness, sublimity, veneration and ideality, making those of acquisitiveness, inhabitiveness, amativeness and all the selfish and animal propensities prominent. I naturally concluded, if phrenology is not a fraud, that Stewart's will was a manifestation of the non-existence of the higher and more humane organs in his cranium. There certainly could be nothing there indicative of any generous emotions."

I think everybody who knew the great dry goods merchant will be inclined to say that the judgment of the sculptor was neither rash nor uncharitable.

Stephen Girard.

Stephen Girard was another of the great millionaires who arose from penury, and whose eccentricity took a philanthropic turn. Mr. Girard was a Frenchman, born near Bordeaux in 1750, who made his home in later years in Philadelphia. He bequeathed over two million dollars to found and endow Girard College in that city.

There is a good story told, which seems to be well authenticated, of the manner in which Mr. Girard rewarded the ingratitude of a sister. When he was a boy about ten he manifested very little disposition for hard work, and his family treated him harshly. One morning a rumpus arose about his idleness, and having said something that aroused the ire of his sister, she clutched the broom and flew at him in a rage. He retreated, receiving a few hard blows over the shoulders as he passed for the last time over the threshold of his paternal home. He went to sea, his father having been a seaman, and through various vicissitudes of fortune eventually turned up as a millionaire in Philadelphia.

After young Girard had gone through the preliminary course as cabin boy, trading between France, the West Indies and New York, he had saved up some money and became part owner of a small trading vessel. This was in 1776, the year of the Declaration of Independence. His trading was suspended by the war with Great Britain. He then speculated in the renting of a number of stores in Philadelphia, and sub-let them at a large profit. Afterward he purchased a controlling interest in the stock of the old U. S. Bank in 1812, and became a private banker with a capital of more than a million. Subsequently he loaned five millions to the Government to help defray war expenses.

In the meantime fortune, however, had not favored his irate sister, who had chastised him with the broom. She remained poor. She had heard of her brother's wealth, however, but did not have money enough to pay her passage to this country. In this extremity she went to the captain of a Philadelphia vessel in a French port and told him that she was a sister of Stephen Girard, without money, and desired to go and see her brother, who was well known to the captain. She received the best accommodation that the vessel could afford. Having arrived in Philadelphia the gallant captain escorted her to the house of her wealthy brother. Leaving her in the hallway he went in to see Mr. Girard and told him that a lady outside wished to see him. The benevolent captain was prepared to behold a demonstration of joy, which he thought would be exhibited as soon as the long lost brother and sister should recognize each other. He was not kept long in suspense. Mr. Girard knew his sister instantly. "*C'est vous.*" "It is you," he said. "Oui," she replied. These were all the words that passed. There was no rushing into each

others arms, but on the contrary, Mr. Girard plunged at the captain in a lively mood. "What authority had you to bring that woman here?" he said. The captain was dumbfounded and hardly knew what to answer. "Take her back again at your own expense," he added.

The captain did not stand a minute on the order of his going, and the millionaire's sister, without receiving one kind adieu, was conducted from the palatial mansion of her brother to the vessel, and thence to her pauper home in France.

This shows that the great philanthropist had a good memory and was resentful of injuries, yet it also betrays a narrowness from some taint of which the greatest minds are not entirely free. The Girard sister was unable to comprehend the higher aspirations of her young brother and his intelligent convictions, which had, no doubt, taken form at that early period of his life, that a man can never become wealthy by hard manual labor. He was wrong, however, in giving her the cold shoulder. She was correct in one sense, from her point of view, although a narrow view, and his large charity should have condoned an error arising from her superficial conception of his early designs.

His narrow-mindedness, with all his genuine greatness, and his eccentricity were exhibited in a remarkable degree in some of the restrictions of his will regarding the college. Although he was exceedingly generous in his gifts to religious denominations, without distinction, as well as to charitable institutions generally, he was, though illiterate, a free thinker of the school of Voltaire and Rousseau. He, therefore, had inserted in his will a prohibitory clause to the effect that no clergyman should be permitted to have anything to do with Girard College, nor even be admitted as a visitor. The college is for orphans between six and ten years of age, who are put to a trade when they are sixteen, all expenses being defrayed until they are able to earn a living. There are now over 500 beneficiaries. Girard died in 1831, at the ripe age of four score and one. He was worth nine million dollars, of which but a very small pittance went to a few of his relatives, the great bulk of the estate having been distributed among charitable institutions. This great philanthropist was exceedingly close in money matters with men generally, and it is said that he never had a friend, except the friend in the pocket, which is by all odds the most genuine.

The late James Lenox takes rank with the great philanthropists of the age, in attempting to devote a large portion of his surplus wealth to the good of humanity. When he died, in 1880, at the age of eighty, he was supposed to be one of the five wealthiest men in New York. He spent a million dollars to found and endow the Presbyterian Hospital at Seventieth street and Madison avenue, and over a half million in building the Lenox Library at Seventieth street and Fifth avenue.

The building and the library are both immense gifts, but admission to the latter is so hampered by red tape, forms and ceremonies that it is of little or no earthly use to the general public. As a piece of architecture the building may, according to the ideas of the

famous John Buskin, help to educate the people, but in other respects they derive no benefit from it. The library, which is built on ten city lots, contains the choicest selection of books in the world, outside of the British Museum, besides valuable manuscripts and works of art, and its collection of American works is unsurpassed anywhere. That part of the collection, consisting of Mr. Lenox's own private library of 15,000 volumes, contains books of rare value, many of which could not be duplicated. This is one reason why the general public are excluded.

In fact, there is a good deal to be said in favor of the fastidious care that is taken of some libraries and picture galleries, as a large portion of the general public don't know how to appreciate their privileges, and therefore abuse them, some through the relic monomania and others actuated by pure mischief. Thus it was that Mr. William H. Vanderbilt was very reluctantly obliged to exclude the general public from his fine picture gallery, as certain visitors scratched the etchings with their canes and put their fingers on the pictures, while others were incessantly on the relic hunt and had to be carefully watched during their visit.

Peter Cooper.

Peter Cooper was another of the philanthropists, with large means, who sought to distribute a considerable part of it where it would do the most good to humanity, especially to that portion of it who are in pursuit of knowledge under difficulties. Mr. Cooper had a hard time of it himself getting a fair education, and he knew how to appreciate the boon. He was born in New York in 1791, and at the age of seventeen was apprenticed to a coachmaker. He tried his hand at several other occupations, was an inventor by nature, and the designer and builder of the first locomotive in this country, which had its trial trip on a part of the Baltimore & Ohio Railroad.

Mr. Cooper experienced his great success in fortune building in the manufacture of glue. He afterwards erected extensive iron works at Baltimore, Maryland, and subsequently in Trenton, New Jersey. During his life he built the Cooper Institute, at a cost of $650,000, with a subsequent donation of $150,000. This institution is devoted to the instruction and elevation of the working classes. It consists of a large reading room and library and a public lecture hall. The building occupies a small block at the junction of Third and Fourth avenues and Eighth street. It has evening schools, attended by 2,000 pupils; a school of design for females, in which there are 200; also, a school of telegraphy for women, from which, in two years, over 300 operators have been sent out.

The rents from the building on the lower floor and the offices defray the greater portion of the expenses. Ample provision was made in Mr. Cooper's will for the permanence of the institution. During his life he was a general donor to all kinds of charitable institutions, and almost every variety of labor organization. He ran for President in 1876 on the Greenback and Labor ticket, and was defeated by an overwhelming majority. He had an idea that a large issue of greenbacks would create universal prosperity and make everybody happy. He died in 1883, at the age of ninety-two, leaving five or six million dollars, the greater portion of which fell to his son and daughter, the latter being the wife of Mayor Hewitt.

One of the greatest of American philanthropists, especially as his princely bequest was rather unexpected, was the Hon. Samuel Jones Tilden, whose financial and political career I have referred to in another chapter. He was about seventy-three years of age at the time of his death, in August, 1886.

Mr. Tilden died worth about five millions, four of which he left to be donated to public and beneficent objects. The greater part of this is to be spent in the erection and endowment of a grand free library, which, if the terms of the bequest are properly administered, will be the greatest institution of its kind in this country.

The disposition of the Vanderbilt fortune, up to the present time, has been briefly described in the lives of the various members of the family in another chapter. The Clinic of the College of Physicians, however, which has recently been opened at Sixtieth street and Fourth avenue, is entitled to greater detail, as it is, perhaps, destined at some future day to become a great medical centre. Mrs. W. D. Sloane, daughter of Wm. H. Vanderbilt, subscribed $250,000 to build the Maternity Hospital, in connection with this institution, her father having, prior to that, donated the balance of the million necessary to finish the entire structure, which consists of the Clinic, the Maternity Hospital and the College Hospital. It is said that in all their appointments the different departments of this institution are superior to anything of a similar description in the world.

Among the men who disposed of great fortunes I may mention James Lick, of California, who devoted millions to charitable purposes; William W. Corcoran of Washington, who gave two millions for an art gallery and a home for old, decrepit and superannuated women; also, Mr. Stevens, of Hoboken, who devised two millions, one for the Stevens Battery and the other for the Stevens Institute at Hoboken. Miss Catharine Wolf, who died last year worth twelve millions, bequeathed largely of her estate to charitable purposes, and donated her magnificent art gallery to the Metropolitan Museum of Art.

What a lesson is taught in these examples of philanthropic celebrities to our fellow-beings—I was going to say fellow citizens, but that would not be appropriate in many instances—the Socialists. Those millionaires, who have all more or less been denounced as hard-hearted monopolists, have been among the hardest workers and thinkers all their lives, many of them denying themselves the luxuries and some of them even the full necessities of life. For what purpose? Simply to be the hard worked and poorly fed mediums of accumulating wealth to relieve the necessities and minister to the comfort of the less fortunate, the idle, the dissipated, the poor and the needy, and in general those who misunderstood and abused them on account of their good work.

It was good for those benefactors of humanity that virtue is its own reward.

CHAPTER XLIX.

SOUTHERN AFFAIRS IN SPECULATION.

The Preservation of the Union a Great Blessing.—To Let them "Secesh" would have been National Suicide.—How Immigration has Assisted National Prosperity.—Rescued from the Dynastic Oppression of European Governments.—Showing Good Fellowship towards the Southern People and Aiding them in their Internal Improvements.—The South, Immediately After the War, had Greater Advantages than the North for Making Material Progress.—The Business of the North was Inflated.—The States of Georgia and Alabama Offered Inviting Fields for Investment.—Issuing State Securities, Cheating and Repudiating.—President Johnson Chiefly to Blame for the Breach of Faith with Investors who were Swindled out of their Money.—Revenge and Avarice Unite in Financial Repudiation.

During the war I did all that lay in my humble power to farther the cause of the Union, believing that it was a righteous one, and that the North went into the struggle to maintain, uphold and preserve the best form of government known to man, and certainly the only one suitable to America.

View it as we may, the wisdom of man has yet evolved nothing to surpass the Constitution of the United States. Whether Thomas Jefferson or Thomas Paine was the author of its leading features, is a matter that I shall not stop to discuss, but suffice it to say, that upon it has been established the best government in the world. There is no other system in ancient or modern history that could weld together and bring into the social and political affinity of one great integral harmony the immense variety and diversity of human elements that are dwelling as one large and comparatively happy family in the United States.

What other system could combine so many nationalities, creeds, passions and prejudices, modifying all of them and uniting all for the general good and the perfection of a higher development of human nature in political and social life?

There is none. We must go to the pleasanter pages of political fiction to find a comparison.

This country has made greater strides in each decade towards the possible approach of More's Utopia or Plato's Republic than any other country has done in the same number of centuries.

It must be admitted that we are a considerable distance from the happy goal contemplated by the writers named, but we are moving in the direction to show that its attainment is possible. We shall yet accomplish what the world has hitherto considered a pleasant fiction overworked through the highest ideal of Greek art.

This high state of development is what we are coming to in spite of the fact that the average ward politician has immense chasms to cross before the hill tops of his evolution shall appear in sight. When he begins to climb, however, his ascent will be marvellously rapid and he will leave that vehement youth of Longfellow's, whose watchword was Excelsior, far in the distance. Moreover, his steps will be steady and prudent, and not liable to unfortunate reaction or fatal mishap.

It has been said that revolutions never go backward. With much stronger emphasis it may be asserted that evolutions in a Republic like those I am now contemplating never recede, but still press forward and upward towards the mark of a higher ideal.

A large proportion of the people who come here do so for the chief purpose of getting away from other forms of government that are despotic in their rule and oppressive to their subjects.

These people who come to us are saved and redeemed Their lives would have been wasted if they had remained in the land of their birth. In this country, they not only add to the wealth of the nation, but they become useful members of the social fabric, with few exceptions, enjoying happiness themselves and bringing up children, whom they teach to admire, honor and revere the institutions of this country in contrast with the land of their own nativity.

This country has thus become the asylum for the down-trodden of every nation, and it is a great gainer by the contrast thus constantly presented to the minds of those who come here. Our own people are also in this way taught to appreciate their privileges and set a higher value upon the advantages they enjoy.

If it were not for the constant stream of immigration to these shores, the people of this country might begin to think that Republicanism was the birthright of all, and forget that they enjoyed especial privileges by birth, and came into this world with a very important start of other nations. I fear that some of them are prone to imagine, especially some of the fair sex, that we suffer here from that long felt want of a hereditary and native nobility. Some of these fair ones have had sad experience, that should have disabused their young minds of these notions not very long ago. The force of these examples will have some effect, at least, in moderating the folly of their mothers. It can hardly be expected that many of the young ladies will learn much themselves, except by

a repetition of the same sad experience, but the persuasive powers of the mammas may exercise a deterring effect in many instances where hasty matrimonial alliances to catch the bauble of a foreign title would be the forerunner of much misery and sometimes shame.

I might cite many instances of these from our own city, but the sensational papers will deal with them *ad nauseam*. I don't aspire to be sensational in this book. I only attempt to state in matters of this kind what may suffice to point the moral, leaving the sensational story-teller to adorn the tale Nor do I mean to cast any reflection on such happy marriages as that of Miss Jerome to Lord Randolph Churchill, and others I could mention.

Our expansive territory has enabled the adventurous and energetic of all nations of the world to come here and make homes for themselves, instead of remaining in the land of their birth, where many of them were existing in a modified condition of slavery under other names.

The idea of encouraging this large exodus from other lands, and this freedom of assimilation with our people, has been one of the great bulwarks of our prosperity.

I realized this fact very clearly at the commencement of the war of the Rebellion, and have cherished it ever since.

I therefore felt deeply earnest in my sympathy with the North against the South, whose great effort was to break up the present form of government, attempting to destroy its autonomy and powerful cohesiveness.

The nation would have been split in twain to start with, if Horace Greeley's advice had been taken, "Let them secesh." Mr. Greeley's counsel was well meant, as he thought the Southern people would soon be glad to return to the Union, but it would have been national suicide to follow it.

The two parts of the dissevered nation would have been constantly menacing each other, and kept on a war footing, with occasionally recurring hostilities across the border on every slight provocation. The result would have been that some or all of the European powers would have taken advantage of this state of affairs to plant the standard of despotism once more on these shores, making this fair land a battle ground for Imperial and kingly ambition.

These designs were foreshadowed by Napoleon III., whose actions I have dealt with more fully in another place, and Great Britain was only awaiting the opportunity to avenge Bunker Hill, Saratoga and Yorktown.

In fact, all the powers of Europe would have taken advantage of the chance of acquiring a slice of such a fine domain, where in the event of successful secession only feeble resistance could have been offered to foreign aggression.

In the event of a decisive victory for the Confederate arms, faction fights would have always been springing up, and the tendency would still have been increasing to create a greater number of separate and independent governments.

Napoleon had been looking at matters in this probable light, when he resolved to make Mexico a backdoor, with Maximilian as its keeper, to enable him to gain an entrance to this country when a favorable opportunity for the completion of his purposes should arise.

Having myself been born in a foreign land, where I passed my boyhood's days, I have a vivid recollection of the workings of the harsh system of a European government, although by the accident of birth I was placed in circumstances where the pressure on myself was not very galling.

I saw enough, however, to make a durable impression on my mind, to arouse my sympathies for others and to excite my lasting indignation against dynastic oppression.

I lost no opportunity during the dark days of the rebellion in this country, to be outspoken in favor of the cause which I had espoused from a firm conviction that it was right. I did all I could to help to promote ways and means for aiding the North in carrying on the war. I went into the contest with my whole heart, and gave my entire and undivided attention to the sale of Government securities to raise the sinews of war.

In this way, I believe, I rendered more valuable assistance to the cause than if I had been performing deeds of valor amid the roar of cannon and the rattle of musketry.

I became pronounced in my opinions and made myself active in organizing meetings to celebrate every victory of the Union army, thus inspiring the men in the field and the recruits on their way thither, and sustaining the hearts of our business men to place implicit confidence in the future triumph of the nation.

It required more courage than many people now imagine to take this stand at that time, for opinion was largely divided in this city on the prospects of the issue, and a strong sentiment in favor of the enemy threatened at one time to become predominant.

Many people were eyed with very strong suspicion during the greater part of the struggle in regard to their loyalty, who had followed the course of extreme prudence in keeping their counsel, being doubtful of the result. I took the ground that citizenship would not be worth much in the event of final disaster to the Union cause. I was also of the opinion, when the war was ended to the glory of the country and the maintenance of the Government on a substantial basis, that the time had come to bury the hatchet.

I believed not only in bringing back the South under the old flag, but also in extending the right hand of fellowship to the people, who, whatever may have been their faults, had been terribly punished.

I believed that no good could come out of a policy that persisted in trampling upon a fallen foe, especially as that foe had, after all, only been an erring brother, and could be brought back again into the family fold to share its mutual sympathy and material prosperity.

I felt, therefore, that I could afford to be prominent in a movement that had this great and harmonious end in view, the more especially as my loyalty had never been questioned in the hour of our greatest peril.

I not only extended the right hand of fellowship to Southern men, but gave aid and comfort to them wherever they appeared in our midst.

My office, therefore, after having been the headquarters of loyal Northern men, and for every project in the interest of the Union cause, became notorious as the rendezvous of Southern generals and Southern people generally, almost as soon as the war was over.

General Beauregard was one of the prominent leaders of the Confederacy to whom I exercised the liberty of extending hospitalities on his first visit here. I relaxed no effort to make his visit agreeable, and show him the sights around the city. I recollect escorting him as my guest to the Gold Room, which was then quite an institution in Wall Street. At this time gold was selling at a premium of about 50.

On our entrance to the Room it was at once whispered around that my distinguished guest was General Beauregard. The President of the Board was at that time outspoken and bitter in his opinions against everything Southern, and had not the good sense and common manners to conceal his animus on this occasion. Others took a similar attitude, and the feeling manifested became as belligerent as if the war had been actually raging.

This exhibition of bad blood and bad manners was very distasteful to me. I was a member of this Exchange, and I thought I knew my rights, and I was disposed to maintain them. I regarded the insult to Beauregard as offered to myself, and was prepared to resent it accordingly. He was my guest, and I had determined to stand by him at all hazards. I informed those who were foremost in manifesting these unworthy feelings of resentment that I should protect my friend no matter what course they should take, as long as he desired to remain in the room. This had some effect in smoothing down the asperities of the most hostile, and we were permitted to depart in peace. I escorted General Beauregard afterwards to the New York Stock Exchange, where he was kindly received, and without a murmur of feeling. I introduced him to many of the members individually, who shook hands with him and interchanged civilities in the warmest manner, giving him a hearty welcome to our city. Beauregard was delighted with this reception at the Stock Exchange, but was greatly chagrined at the conduct of the people in the Gold Room.

After this, many other Southern notabilities from time to time came to the Street, and received at my hands similar treatment. Among others, General Forrest, of Fort Pillow carnage notoriety, paid me a visit.

I could relate a great many other instances, if time and space would permit, showing very explicitly the efforts I have made to help along harmony and reconstruction. I was anxious, in the interest of general prosperity, to assist the South to recover from the dreadful blow inflicted upon her by a fratricidal war as soon as possible.

So, as the work of reconstruction progressed, I became interested in the internal improvements of that section of our country, as my subsequent investments there will fully attest. I thought that the South had experienced fighting enough, as the North had, and that the people of that section would gratefully accept the terms in the main agreed upon under the appletree at Appomattox, between General Grant and General Lee. I had hoped that the peace would be such as to conserve all the interests of the country, including every man, from the boldest and bravest Confederate general down to the lowest of the negro race, without any invidious distinction. I had the hopeful impression that all would go to work and do all in their power to till the soil, or do anything else that would add to the material wealth of the country and the individual happiness of its recreated citizens; that they would apply themselves to every form of industry that would help in any degree to a recovery from the disasters growing out of the war, and the lamentable destruction of property attending it.

The South immediately after the war had greater advantages than most people imagine, if it had only taken hold of them in the right spirit. It had various sources of prosperity, which under prudent management would have enabled it to leave the North far behind in the race for wealth. Its leading staples, cotton, tobacco, and rice, had all a gold value in the markets of the world.

This opportunity of going in to produce at hard-pan prices on a gold basis invested it with an immense leverage against the North, with its inflated currency and war prices, growing out of the large issue of paper money necessary to carry on the war, and consequent over-speculation as a natural result or sequence.

It seemed to me, then, that, while the South had a grand opening for growth in prosperity on a solid basis to begin with, the business of the North was, in comparison, in an inflated position, that must burst before it could get a fair start on a solid foundation. It appeared as if it would sooner or later suffer a temporary collapse, while the South had only to begin and build without fear of any such interruption.

I, therefore, selected for my investments as the best fields in the South the two States that stood the highest in their financial credit, in their character for integrity and enterprise, and that then had the brightest outlook, namely Georgia and Alabama.

These States took my money freely, issued their State securities, their County securities, sold me their bonds, and got me thoroughly interested, and that to a very large extent, and then treated me with the basest ingratitude, repudiating their bonds, and cheating me out of my money and property in every way conceivable.

I attribute the cause of this unjust treatment, however, to Andrew Johnson, who, by accident, through the assassination of President Abraham Lincoln, became President of the United States.

Mr. Johnson was a Tennesseean, loyal during the war to all appearances, and for all practical purposes of the Union cause, and he would doubtless have so remained had it not been for the unfortunate circumstance of Abraham Lincoln's death.

This made him Executive of the nation, for which by ability he was amply fit and qualified, but through bias and temperament, entirely unfit to fill creditably this eminent position for the best interests of the country at large.

The position I took, as above stated, was, that since the war was over, it was a thing to be forgotten as speedily as possible. The finality was seriously delayed owing to the hostility that President Johnson did his best to excite and prolong amongst the people of the South.

Congress, it will be remembered, was leniently disposed in the passing of measures and framing of laws to bring the traitorous States of the South back again into the Union. The members of Congress most cautiously and delicately worked to patch up old sores that were supposed to exist between the victors and the vanquished, but when their bills went to the President they were unmercifully subjected to a wholesale process of vetoing, almost indiscriminately. This produced a condition of chronic hostility between the legislative and executive branches of the Government, and the wider the breach became the stronger and more vindictive grew the spirit which it naturally aroused in the Southern people.

These people were sadly misled by the President, whom they trusted, and his hobbies were humored at the expense of their prosperity.

Johnson made the people of the South believe that his vetoes would only delay legislation until Congress should be forced to find them something better. They, accordingly, reposed faith in him, and were badly deceived.

The feeling of animosity excited by this condition of things so worked on the minds of the people, causing the South to wax bitter and revengeful, that it appeared to people on this side of Mason and Dixon's line that their Southern brethren had become even more implacable than during the hottest scenes of the war.

It was for the reasons above stated that bonds which had been issued by the South for money invested by the North were, in a large measure, repudiated. As soon as it was

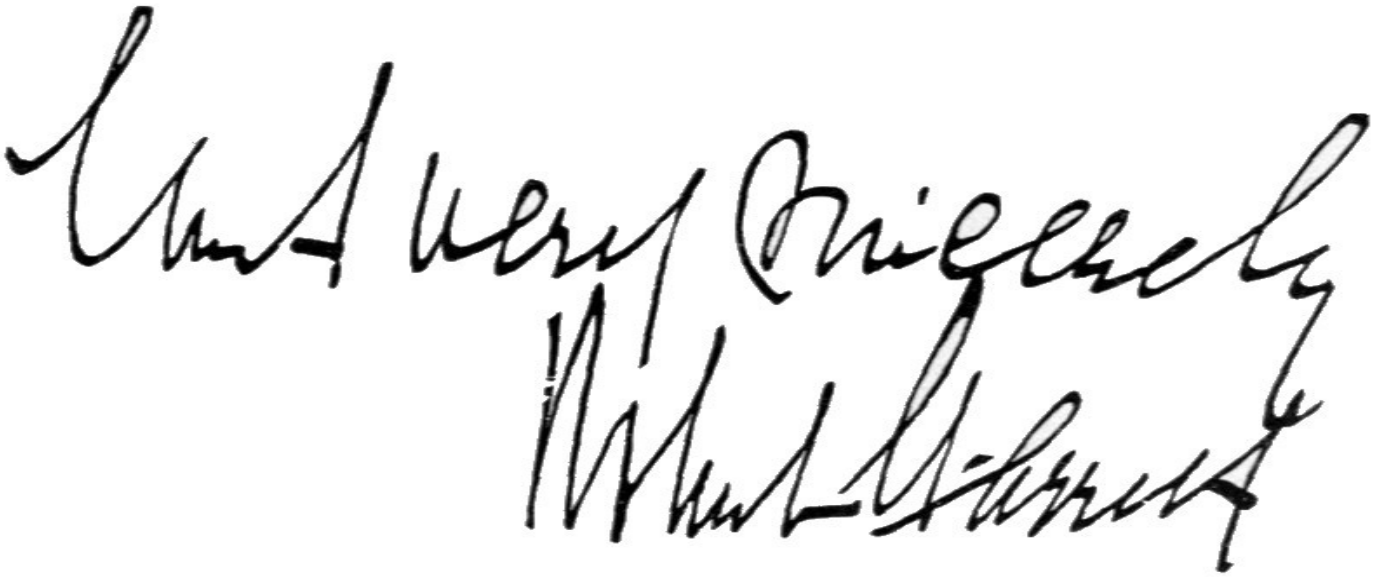
discovered that most of the vested interests were owned by Northern people, the spirit of revenge and avarice combined was aroused to the point of repudiation. And, unlike the courage of Macbeth, it did not require any stimulant to make that the sticking point. Every method that ingenuity could devise to strike a blow at the North was employed. No opportunity was allowed to slip that afforded any advantage, either material or moral.

Thus, instead of accepting the situation as General Lee had done, they were led astray by every one who had a political axe to grind. They took an active part in politics instead of looking after the various industries of the country and developing its resources. They engaged in political discussions and their attendant broils, to the neglect of necessary enterprises that would have brought them material prosperity.

Thus they became poorer and poorer. Many years were lost in these political turmoils, and the people became more and more embarrassed.

From these circumstances there were many financial victims, but few, if any, suffered more in that respect than myself.

I had over two and a half millions of dollars invested in the State of Georgia securities, and in other ways, a million more at least in Alabama and North Carolina together, all of which was perfectly annihilated, the entire disastrous result growing out of the factious spirit that was created and fostered by the vile and narrow prejudices of President Andrew Johnson, of whom I have still more to say in another chapter.



Most Very Sincerely Robert Garrett

CHAPTER L.

WESTERN AND SOUTHERN FINANCIAL LEADERS.

Alfred Sully, his Origin and Successful Career.—Calvin S. Brice, a Financier of Ability.—General Samuel Thomas, Prominent in the Southern Railroad System.—General Thomas M. Logan, a Successful Man in Railroading and Mining.—Financial Chieftains of Baltimore.—The Garretts.—Their Great Success as Railroad Managers.—Portrait of Robert Garrett.

Alfred Sully, who has become so prominent in the financial world within a year, is tall, rather slightly built, nervous, and energetic. His face, by its long, square contour and thoughtful lines, suggests that of Senator Wm. M. Evarts; the eyes are keen and penetrating but kindly. At heart his tastes are those of a genial literary recluse. Circumstances and unquestioned ability have made him a financial leader. He was born about 46 years ago in Ottawa, Canada, where he received a good academical education. He tried his fortune in the West. He went to Cincinnati, studied law, and was graduated from one of its best schools, whereupon he went to Davenport, Iowa, and formed a co-partnership which became known as the leading law firm of the city. He acquired some means, and in 1872 came to New York, the proper place for men of ability. It is understood that at this time he had some idea of indulging his tastes for authorship, but Austin Corbin put a veto on that. The two had become acquainted in Davenport, where Mr. Corbin was formerly a banker, and the latter, on meeting Mr. Sully in New York, tendered him the position of General Manager of the Corbin Banking Company, which he had established here. He accepted it. But this post, responsible as it was, could not long hold a born financier, and we soon find him obtaining control of the Indiana, Bloomington & Western Road. He next bought the Ohio Southern, of which he is still President, a transaction in which he and his friend nearly doubled their money. Then he made a great deal of money in the Central Iowa and other roads in Illinois. He and Austin Corbin secured control of the Long Island Road, and he gave much time and labor to the Manhattan Beach Road and associated interests at Coney Island. Then he went into the scheme of restoring the financial health of that enfeebled giant among railroads, the Reading, and was one of the prime movers in the reorganizing and

consolidation of the Richmond Terminal, the Richmond & Danville, the East Tennessee, Virginia & Georgia, and numerous other Southern roads, which now form one vast system, which will probably yet obtain an entrance into New York.

Calvin S. Brice.

Calvin S. Brice was Vice-President of the East Tennessee, Virginia & Georgia Road, and is a Director in the Richmond Terminal and numerous other Southern roads. He is now connected with the United States Express Company, in the management of which he will take an active part. He was born in Lima, Ohio, about 48 years ago, and was educated as a lawyer. He is below the medium height, and rather slightly built, but has broad shoulders, a fitting pedestal for a good head, with firm square features and keen bluish gray eyes. He wears a sandy beard, closely trimmed, which tends to heighten the effect of decision of character. He is a financier of ability.

Gen. Samuel Thomas.

General Samuel Thomas, who is prominent in the Southern railroad system, is now about 50 years of age, is a Western man, and before the war was a civil engineer in the service of an Ohio railroad. After the war he again became a civil engineer, but, drifting after a time to New York, engaged in railroad enterprises, and ultimately secured a large interest in Southern railroads. He is now President of the East Tennessee, Virginia & Georgia, and is largely interested in the Richmond & West Point Terminal, the Richmond & Danville, the Memphis & Charleston, and other Southern roads. He is tall, well-built, energetic, and affable. He lives in fine style, and is a member of the Union League. He is worth several millions.

Gen. Thomas M. Logan is President of the Virginia Midland Railroad, Vice-President of the Richmond & Danville and Richmond Terminal, and a Director in all the roads in this system. He was born in Charleston, S. C., about 44 years ago. He served with distinction in the Confederate Army, and rose to be a Brigadier-General, being one of the youngest in the service. He is a graduate of the University of South Carolina, and formerly practiced law in Richmond, Virginia, where he is also engaged in extensive manufacturing and mining enterprises. He resides in Richmond, and is a member of the Westmoreland Club, but often comes to New York on railroad business, in which he has amassed a comfortable fortune.

John W. Garrett's name will always be associated with that great property, the Baltimore & Ohio, which he rescued from the verge of bankruptcy. He was a man of great force of character, and inherited an aptitude for business. He was a graduate of Lafayette College in Pennsylvania, and engaged in business in Baltimore. He became a Director of the Baltimore & Ohio Railroad, and in 1858 was elected its President. He was a staunch supporter of the Union in the civil war. Despite a disloyal sentiment plainly noticeable in Baltimore and elsewhere in Maryland, he lent the Government all the assistance in his power in the transportation of hundreds of thousands of Federal soldiers. He was quick to repair burned bridges, and to do anything to facilitate the military operations of the Federal Government. President Lincoln and Secretary Stanton thanked him warmly. His salary as President was $10,000 a year. The Directors repeatedly offered to increase the remuneration, but he declined to accept it. He often refused offers as high as $50,000 a year to become the President of other roads. He was autocratic in his administration. His will was law. He found the Baltimore & Ohio Railroad a weak and struggling underline in the railroad world, and he left it a giant in the American system of railroad transportation.

Robert Garrett, the son of the preceding, and now the President of the Baltimore & Ohio Road, is one of the railroad kings of the United States. He became the President of the Baltimore & Ohio in his thirty-seventh year, after having served as Third Vice-President and First Vice-President under his father's administration. He is a graduate of Princeton, a man of genial characteristics, and a favorite in society. He has made a study of railroad administration, but is now understood to seek some relief from the burdens unavoidably incident to his position as the head of a great railroad. And he is wise. He is many times a millionaire. Why should he devote his life to unnecessary care and labor? Rich men in this country are apt to work too hard. They do not enjoy life as men of far less wealth do in Europe. Under almost any administration the Baltimore & Ohio Road has a great future before it. The road was built to draw the Western trade to Baltimore. This trade had been diverted from that city by the building of the great canals. New York & Philadelphia were receiving the lion's share of the traffic. The first stone on the Baltimore & Ohio Road was laid by Charles Carroll, one of the signers of the Declaration of Independence, in 1828. The road was opened to Wheeling in 1853. The firm of Robert Garrett & Sons was established in 1849, and was originally engaged in the wholesale grocery trade. When the road reached Wheeling its finances were at the lowest ebb. The house founded by the grandfather of the present head of the road bought largely of its bonds at a very low figure, and this marked the first connection of the Garrett family with this great property. The house of Garrett & Sons still exists as a banking establishment under the management of T. Harrison Garrett. In 1853 Baltimore & Ohio stock could be bought for a song. Since then it has sold at as high as $225 a share. The improvement in the property was very largely doe to the efforts of John W. and Robert Garrett.

The recent embarrassing complications of Mr. Garrett in connection with the management of his railroad and telegraph companies, it is hoped, will only be temporary, and I expect to see him again, at no distant day, reinstated at the head of the great corporation over which he and his father presided. His present difficulties are matters of current newspaper record and comment, and I need not, therefore, enlarge upon them here. As shown by the latest report, the Baltimore & Ohio Railroad is virtually in a good, prosperous and solvable condition, and I have no doubt that the Drexel-Morgan syndicate which has undertaken to put the property on a still more solid and durable basis with the ten million loan which it has negotiated, will uprightly do its whole duty, and in due time return the trust considerably enhanced in value to Mr. Garrett, his heirs and assigns.

John H. Inman, another member of the Southern railroad circle, was born in Tennessee. He is tall, fine looking and soldierly in appearance. He is one of the shrewdest of the capitalists who have invested large amounts in Southern enterprises. He came to New York from Atlanta, quite poor, after the civil war. In the war he was a quartermaster's clerk, and his old quartermaster afterwards became one of his brokers

on the Cotton Exchange. Young Inman went into the office of an uncle on arriving in New York, and learned the business of a cotton broker. He was clear-headed and successful. After he became a partner in the firm he added very materially to his wealth by carrying cotton for the premiums on the options. He is recognized as one of the leaders of the Cotton Exchange. In recent years he has become a financier, has made large loans to railroads in the South, and has invested heavily in Atlanta real estate, and in iron enterprises in Birmingham, the rising Southern market. He was prominent in the reorganization of the Richmond & Danville railroad system, in which he is largely interested. He is a director in the Richmond Terminal and associate lines, as well as the Louisville & Nashville and other Southern roads. He invested nearly two millions in the Tennessee Coal & Iron Company. He is now about 50 years of age. He seems to be a man of destiny. He is a man of great force of character and exceptional business skill. He resides in New York, and is possessed of a large fortune.

Ancestry in England—Brains in America.

In this country no one cares about ancestry. The spectacle of Mark Twain weeping at the tomb of Adam is a humorous expression of American opinions on this general subject of ancestry. To save time he paid his devoirs to the fountain head without stopping at the Guelphs, the Tudors, the Bourbons, the Hohenzollerns, the Hapsburgs, or the Romanoffs. There is no time, if there was any wish in this great country—shaking to the tread of gigantic business—to inquire, "Who was his father?" There is only time for such questions as, "What do you know?" "What can you do?" "How have you succeeded?" Integrity and ability stand a man in better stead in America than show of purple veins of Norman blood. Even in the aristocracy (so to speak) of brains, ancestry in one sense, so far from being an advantage, is apt to be precisely the reverse. A son of Henry Clay or Daniel Webster can never hope to attain the lofty pre-eminence of the sire, and suffer by comparison. Great men do not always have great sons. For one Pitt, the son of a great Chatham, there are hundreds of sons who intellectually dishonor great fathers. Brains, intelligence, industry, energy, and pluck; these are the talismanic words which stand for success in America, where no ghost of a dead feudalism hovers over the land, darkening it by its blighting presence. In England the first question, a silly echo of centuries, is, "Who is his father?" But who are the nobility? Have they any title as such to the respect of right-thinking persons? The nobility is running to seed, or rather the once noble tree is withering and dying; it has borne its fruit and its time has passed away. In Scriptural language, Why cumbereth it the ground? How many of the nobility are now worthless roues, habitual seducers, dried up or half consumed by the fires of passion and debauchery! They are dying as the fool dieth, with a drunken leer on their shrunken faces and the stain of dishonor on their escutcheons. The Commons of England will yet redeem the nation from the thraldom of a worthless aristocracy. America is the true field for the human race. It is the hope and the asylum for the oppressed and down-trodden of every clime. It is the inspiring example of America—peerless among the nations of the earth, the brightest star in the political firmament—that is leavening the hard lump of aristocracy and promoting a democratic spirit throughout the world. It is indeed the gem of the ocean to which the world may well offer homage. Here merit is the sole test. Birth is nothing. The fittest survive. Merit is the supreme and only qualification essential to success. Intelligence rules worlds and systems of worlds. It is the dread monarch of illimitable space, and in human society, especially in America, it shines as a diadem on the foreheads of those who stand in the foremost ranks of human enterprise. Here only a natural order of nobility is recognized, and its motto, without coat of arms or boast of heraldry, is "Intelligence and integrity."

CHAPTER LI.

ARBITRATION.

How the System of Settling Disputes and Misunderstandings by Arbitration has worked in the Stock Exchange.—Why not Extend the System to Business Matters Generally?—Its Great Advantages over Going to Law.—It is Cheap and has no Vexatious Delays.—Trial by Jury a Partial Failure.—Some Prominent Cases in Point.—Jury "Fixing" and its Consequences.—How Juries are Swayed by their Sympathies.—A Curious Miscarriage of Justice before a Referee.—The Little Game of the Diamond Broker.

Wall Street has derived great prestige and character from the New York Stock Exchange. In fact, the Stock Exchange is Wall Street, so to speak, so much so that if the Exchange moved to any other locality, the latter would become the new Wall Street, to the utter oblivion of the old, which would soon be eclipsed and regarded as a thing of the past.

The New York Stock Exchange has distinguished itself in many respects, but there is probably nothing for which it is likely to become more famous in history than its solution of the great problem of settling disputes and misunderstandings by arbitration. Other financial bodies have tried the same substitute for ordinary law proceedings, but it would appear that greater success has crowned the efforts of the Stock Exchange in this particular experiment than any other corporate body.

The large number of cases on record that have been amicably settled by arbitration within the past few years, in which law would have been formerly considered indispensable, seem to point to a period, probably not far distant, when arbitration will be the great and ultimate court of appeal in the large majority of civil cases. Several considerations will make it the most popular. It is cheaper, less complicated, not subject to vexatious delay; it is more equitable, and the members composing the Arbitration Committees are business men, who are quick to discern, accurate in perception, sound in judgment and decisive in drawing their conclusions on business principles.

The expense of arbitration is a mere trifle compared with the enormous sums swallowed up in litigation.

Transactions involving millions of dollars annually in the Stock Exchange are made subject to settlement by this method of arbitration in the event of any difference of opinion arising in any particular case. Very few instances occur in which there is any necessity to carry the case beyond the jurisdiction of the Arbitration Committee.

The number of cases actually settled in this way would probably cost half a million dollars annually if they had to be brought into court, to say nothing of the incidental expenses, which would amount to as much more, arising from delay, on the scale of present charges by the legal profession, even leaving out our own Evarts, who is probably the Boss charger of the Bar.

The success attending the system at the Stock Exchange, I think, goes far to prove that the method might be universally extended to the great pecuniary interest and personal comfort of business men throughout the country, for the adjustment of their misunderstandings and grievances among one another.

My object in writing upon this subject has for its basis the hope that this chapter may catch the eye of some of our great merchants in this and other large cities, and that it may suggest to those of them who have not contemplated the subject already, the advisability and necessity of establishing for themselves a similar method of arbitration to that which has been so successful in the Stock Exchange, to be final and without appeal, in their respective business affairs.

Experience has fully demonstrated that trial by jury is in innumerable instances a signal failure; especially has this been so since what is known as “jury fixing” has become so common in the courts. The practice of bribing jurors has now become a secret profession, and is so ably conducted that it is almost impossible, except in rare instances, to expose it.

But apart from this vicious and criminal practice of tampering with juries, there are many other reasons why it is next to impossible, in a large variety of instances, to obtain justice from an ordinary jury.

Human sympathy plays a very important part in the verdicts of juries generally. I mean by this, class sympathy. A business man who is regarded by the community as rich and powerful, can hardly expect justice from a common jury unless the party opposed to him occupies a similar station in society. Where the position of either the plaintiff or defendant calls forth sympathy with regard to worldly means, in the large majority of cases the ordinary jurors will bring in a verdict in favor of the man of small or moderate means, believing that they are in duty bound to sympathize with the oppressed. In a case where a clerk or a woman, for instance, is a party to the suit, it is next to impossible for a man of means to receive equity at the hands of the great palladium of our liberty. I am sorry it is so, but I speak feelingly in this matter, as I have myself been

a victim of this unworthy class prejudice, in a country where all men are theoretically equal.

Counsel usually make a great display over the cases of impecunious clients, out of all proportion to their magnitude. Mole hills become ostensibly transformed into mountains in the eye of the highly imaginative lawyer, who works himself up into such a dramatic pitch of enthusiasm about the wrongs of his client, that he appears to be in dead earnest. He infuses the same feeling into the jury, who are beguiled into solemnity by the force of forensic oratory, and fail to appreciate the farcical side of the case, but are totally swayed by sentiment and prejudice, to the utter exclusion of the evidence.

There are many objections, also, to trial or partial trial, by referee, although it is in many instances an improvement on the jury system. It is, however, amenable to numerous and flagrant abuses.

As an instance of this, I shall briefly relate a case which some time ago came within the sphere of my own observation.

A gentleman of my acquaintance had a claim for a very large amount against a financial man in good circumstances, and it was sent to a referee, who, after a long, tedious and exhaustive investigation of all the facts, gave a decision in favor of the plaintiff for several hundred thousand dollars.

Soon after the decision, the defendant saw the plaintiff, and made him an offer of thirty thousand dollars to settle the matter, at the same time stating that if he did not accept the offer, he would either appeal the case or hunt up fresh evidence for a new trial.

This offer of settlement, which was but a small part of the amount awarded by the judgment, was naturally declined by the plaintiff, and application was made to the court under the pretense of newly discovered evidence, for a new trial, which was granted. Thereupon, after another tedious trial, the old beaten track having been gone carefully over again, without omitting any of the aforesaid “whereases, neverthelesses and notwithstandings,” or any of the monotonous flummery connected therewith, the case was again sent to the same referee, before whom the same wearisome inquiry was repeated. This time, however, the referee relieved the monotony, at the close, by rendering a decision in favor of the defendant, for a large sum, instead of the plaintiff, as on the former occasion.

This decision was a genuine surprise to the plaintiff, who then called upon the defendant and expressed in severe terms his indignation at the change that had been unwarrantably made in the decision of the referee, saying he would not submit to it. He was extremely firm in his manner and said: “I positively assure you that if the judgment is enforced this town will not be large enough to hold you and myself.”

The successful defendant then said, “What do you want me to do?”

“Well,” replied the plaintiff magnanimously, “I simply desire to be released of that judgment.”

“Will that satisfy you?” asked the other litigant.

“Yes,” he replied, “under the circumstances. I have had enough of such law, and want to get rid of it.”

“Well,” said the defendant, “I will do it, and give you a receipt in full in satisfaction of all claims.”

After this cordial termination of the trouble, the defendant turned to the plaintiff and said confidentially, “I am sorry you did not take the thirty thousand dollars which I offered you. I would sooner you had it than anyone else, as I had to pay it all the same.”

The profound lesson of humility taught in Scripture, that “the first shall be last and the last first,” was fully verified in this instance.

As litigation is now carried on either before a jury or a referee, it has a tendency to stir up bad blood, which grows worse as the case progresses through its various and lengthy stages, leaving relations more strained and matters for both parties much worse at the end than at the beginning. As the case drags its slow length along criminations and recriminations between plaintiff and defendant are constantly elicited, and family matters that should be regarded as sacred are dragged before the eyes of the public, subjected to unfriendly criticism, and innocent parties who have no interest in the case are subject to have their private affairs made known, to their great mortification, and often to their great detriment, having a cloud thrown over their reputation long after the litigants have passed away.

Thus the evils of litigation are far reaching in their consequences, and frequently exercise a most deleterious influence over the character and prosperity of those who have nothing to do with the original parties to the contest, and have no interest in the suit.

The expense is also another important consideration in going to law, and is only to be measured by the bank balances of the contending parties.

The time lost in the methods of procedure now generally adopted is of the utmost importance, especially to people the success of whose business in a large measure may depend on their personal attention thereto. It is perfectly astounding to reflect on the important portion of a person’s existence that may be lost in one case, which, from its inception in the lower court up through the regular gradations of the Supreme Court and Court of Appeals when a new trial is had, probably thus going over the entire ground twice, may consume all the way from five to ten years under the perpetual pressure of

mental anxiety and torture before the end is reached, when at least one, and sometimes both parties, are financially ruined.

The worry, wear and tear of attending to a lawsuit in the capacity of either plaintiff or defendant is perfectly incomprehensible to those who have never passed through the trying ordeal. A person in either capacity, with his train of witnesses, is obliged to dance attendance on court every day, no matter how pressing the necessities of his own business may be. Books must be carried thither, and all his establishment must be upset for the convenience of the court and to gratify the whims and caprices of the opposing litigant. The business places of the two contending parties are entirely disarranged, and the help thrown into a state of partial disorganization. Each party to the suit seeks to give the other all the trouble he possibly can, and to subject him to all the sources of annoyance his imagination can devise. Such is the spirit imbued by going to law.

A lawyer, therefore, who has about half a dozen moderate cases has thus his entire time occupied, and while his clients keep out of bankruptcy his income is as good as the annuity of a life insurance company, and frequently the security is better.

The effect of the change which I propose, in the majority of cases where merchants and business men find it necessary now to resort to legal methods, would perhaps not render the life of the ordinary lawyer so happy as it is under the present system, but the merchants would gain ten-fold more than the lawyers would lose, so the effect upon the entire community would be incalculably beneficial.

The system of arbitration which I contemplate could be extended in every line of business throughout the entire country, with a Central Association in New York or any other city that might be agreed upon. In fact, there might be several business centres, one in each important city, with its ramifications extending throughout the section in which its commercial interests more immediately clustered. Branch associations could be organized in the smaller cities and towns, enjoying all the facilities of direct communication with the central body, and availing themselves of all the information and statistics there collected, and the nature of decisions in special and leading cases of settlement.

Each association in its own city or town should be considered fully competent to deal with its own affairs, the Central Association being only consulted as an advisory body. I should recommend also that each association should have a governing committee, which should constitute its Court of Appeal, whose decision should be deemed final.

It would hardly be necessary to prescribe penalties for the few isolated cases that would kick against the arbitration system, and resort to law, as their legal experience before they got through would be punishment sufficient without the association taking any further action. Discipline, however, of a mild character, would have to be enforced in these and other special cases, for the better efficiency of organization.

It might be well to have a rule whereby the parties submitting their cases to arbitration should recognize the necessity, after having the methods of procedure thoroughly explained to them, of putting themselves under obligations to abide by the decision.

In carrying out a national idea of this kind of association, business could be greatly facilitated and much expense saved by the various committees having due regard to their places of meeting, so as to be as near as possible to the centre of the greater number of the witnesses in each particular case.

The courts, which are now greatly overworked, would be immensely relieved by this system, and they would have more time to sift important and exceptional cases which, in their nature, could not possibly be made subjects of arbitration. There are quite enough of such cases to occupy the time of the various courts.

One of the most vexatious and irritating things connected with court trials is the constant attendance required, even when no progress is being made in the case. The expenses, too, are always accumulating.

Though nothing is accomplished the attendance of the lawyers is far from being a labor of love. Their services must be handsomely rewarded by the litigants.

Such a process of settlement as I suggest would not, after all, be any great hardship to the best of the legal fraternity, as there would be enough work left for them, but it would afford immense relief to the now overworked judges, while it would facilitate and forward the ends of justice to an extent that can hardly be imagined by those who have been always accustomed to the slow and monotonous machinery of the law courts, and it would help to weed out the large camp following of pettifoggers, whose occupation would be partially gone.

There is a great deal of time lost in regular court business, causing much exasperation to the parties to a suit, in settling mere technicalities and side issues of law, before the real merits of the case can be reached. Many of these technical delays could be easily disposed of by business men, on business principles, and by taking a simple and common-sense view of the matter, by the usual methods pursued in arbitration.

This new method of settling disputes would do away with the farce of giving bonds in many cases, which is another great source of annoyance, and which, after all, only amounts to a mere formality in a large number of cases, and in many others a very hollow and fraudulent pretense, as many of the bondsmen are only men of straw, and though technically qualified, are not in reality responsible for the obligations undertaken by them.

When good, reliable sureties are offered, in many instances they are put through an irritating course of examination in relation to their private affairs, much of which is

entirely unnecessary, and only designed to perplex and annoy them. They are thus obliged to expose matters relating to their private business, about which the public have no right to know anything, and they are often examined in such a way, as if they themselves were on trial, and were attempting criminal concealment of something that they had a right to disclose. A good deal of this arises from the impudent, unmannerly style of certain lawyers, who treat a man as a criminal suspect, when he has no interest in the case whatever, but has simply come voluntarily forward to assist a friend in trouble.

This is all, however, in the present method of procedure, connected with the machinery of so-called justice, and this kind of abuse has been carried to such an extent in some of the instances just referred to, that very few responsible parties, who know anything about the *modus operandi* of qualifying as a surety, are willing to respond to such calls of friendship. Hence, one of the difficulties in obtaining good bondsmen, and an additional reason why the professional straw men are so plentiful.

It probably helps the business of the latter, between whom and the abusive lawyers there may be an understanding on "boodle" principles.

I shall relate an instance which I consider worthy of permanent record illustrative of the matters to which I here refer, in which my firm was victimized.

On the occasion referred to, my firm sued a client for a just debt of sixteen thousand dollars. The case was sent to a referee, whose standing, in his particular line, was unquestioned at the time, and very few men, in his circle, had better family connections. He stood high in his profession and both sideS were satisfied with the choice. The case was very long and tedious, having been drawn out to a most provoking extent by encumbering the record with immense piles of irrelevant matter. The renewed calls for legal fees on both sides were numerous and vexatious, yet there was no help but graceful submission to the payment of this tribute.

After a number of years it was reluctantly conceded by the lawyers that the evidence was all in on both sides. The litigants breathed heavy and responsive sighs of relief, each side being confident of victory.

A short time prior to the close of the case, the referee spoke to me, gratuitously offering his advice to settle the case, as he said he intended to give a decision adverse to my firm. To this I demurred, and expressed my determination to fight the case to the bitter end.

The result was, however, that my firm not only did not get a decision in its favor for the $16,000 to which it was justly entitled, but this claim was wiped out by this Daniel come to judgment, who gave a decision in favor of the defendant for $132,000.

I regarded this award as such a terrible outrage upon justice that I obtained a stay of proceedings, and made an appeal, setting forth therein the advice given to me by the referee to settle before the case was closed.

Judge Fancher, who wrote the opinion on behalf of the bench, consigned that referee to everlasting disgrace, and set aside his opinion. There the case ended.

Another instance in my experience will illustrate the point which I have made in regard to the sympathy exhibited by juries with those whom they regard, rightly or wrongly, as oppressed. At one time I had employed a clerk at the rate of $2,000 per annum. He was a great disappointment to me in regard to competency, for the work for which I had engaged him, and for his entire lack of application to, as well as deficiency in, the department to which he was assigned. At the end of the first year, therefore, I gave him notice, in presence of two competent witnesses, that I should not require him after his year had expired, and advised him to look out at once for another situation. On the last day of the year he came to me with tears in his eyes and said that he had been unable to obtain another place, owing to the bad times prevailing, and begged me, in the name of his family, who was solely dependent upon him, to keep him in my services still longer, until he could get another situation. Purely out of sympathy for his condition, and believing his story, which was very plausible and pathetic, I told him that he might remain a short time longer on the same salary, but that I should require him to use all his exertions to get another place as speedily as possible.

When he entered on the second term his services were no more use to me than a fifth wheel is to a coach. After the expiration of a few weeks, I sent for him and inquired if he had got another situation; I said I had given him ample time to obtain one, and that I could not consent to keep him any longer. I therefore requested my cashier to draw a check to his order for the balance of his wages, up to date, filled in as a part of the body thereof with the words “payment in full for all claims and demands.”

Thereupon he left my employment, but called repeatedly at the office afterward. I assumed that his visits were simply for the purpose of paying his respects. At the expiration of the second year I received a notice of suit which he had commenced in Brooklyn for the balance of salary due him for the year, being at the rate of $2,000 a year for ten months.

The case came up duly in the Brooklyn court, his only witness being his father, who had made several calls upon me after the discharge of his son, on the strength of which he set forth, in his evidence, certain conferences that should have taken place between him and myself, the greater part of which were purely fictitious. He was the only witness called on the side of the plaintiff, while I had five or more witnesses to substantiate the facts, as I have related them, in relation to the young man’s discharge, all of them being of most excellent character.

Strange to say, the jury entirely ignored the overwhelming testimony on my side, and seemed to be altogether influenced by the "spread-eagle" address of the defendant's counsel, which I am free to say was both able and ingenious. He drew a harassing picture of the poverty of the young man, and presented the imminent destitution of his family in a most pitiable light, brought about solely by the ruthless treatment of this hard-hearted millionaire and bloated bondholder. Hence the verdict was made, through the force of counsel's oratory, to depend exclusively on the sympathy of the jury, irrespective of the evidence.

The case occupied several days, with five or six employees from my office in constant attendance, who were obliged to carry to and from court, every day, huge books and large quantities of papers, disturbing the regular business of the office in a very disagreeable manner.

After counsel had gone over the ordinary rigmarole in reviewing the testimony, the jury went through the formality of retiring, to keep up appearances, and after a brief interval of absence returned to court with a verdict for the deeply injured clerk for back pay, together with interest for the ten months during which he had not rendered me an hour's service.

My lawyer was easily able to obtain fresh evidence from other sources, but he had not considered it necessary to put any more witnesses on the stand, as he had regarded the testimony already produced more than ample, so sanguine was he of success, and so fully satisfied of the plainness of his case, which he considered had only one side, and that in my favor.

The jury, however, put the boot on the other foot, upset all my counsel's calculations and showed him that his law went for nothing where the famous twelve had the right to judge and legislate at the same time in accordance with their sympathies and prejudices. Still he went through the formality of going before the judge with new evidence, and applied for a new trial, which was ordered on the ground that the verdict was not in accordance with the weight of evidence.

The new case was called after the customary delays, and the same ground was duly traversed again, with my additional witnesses, before another highly intelligent jury, whose prejudices were all on the side of the greatly injured young man, who sought twelve months' pay for two months' useless services. The only witness that appeared again for the defendant was his faithful and veracious father, whose memory was marvellously correct in relation to his former statements on the first trial.

There is an old proverb which says that it requires such men to have good memories. I need not quote it, as almost everyone knows it.

To make a long story short, however, that forensic orator appeared again for his poverty-stricken client, armed with all the old enthusiasm exhibited on the former trial.

He had not much new matter to present, but his dramatic attributes, by dint of longer practice, and more familiarity with his side of the case (it was only necessary for him to study the one side) had become considerably improved since his former effort, and it is needless to say that he carried the jury with him.

By that intelligent safeguard of our liberties, the jury, the second trial was only regarded as an aggravated case of persecution, on my part, and the verdict was given more cheerfully in favor of the plaintiff than on the former occasion.

Although it would have been much better for me, from a financial point of view, to have paid the amount of the exaction, with all the legal and illegal fees and impositions connected therewith, yet I felt disinclined to be bamboozled in that way.

When the court was applied to for another new trial, the judge said, "I have already given you one new trial, taking the responsibility. The relief you now ask has already been before two juries, and I am not willing to take upon me any additional responsibility in the matter. You must therefore look for any further rights or redress to which you may consider yourself entitled, to the Court of Appeals."

The case is now, therefore, awaiting the good time and discretion of the Court of Appeals, where it will, in all probability, be heard and adjudicated upon sometime within the next ten years. In the meantime the young man is happy in the reflection that his judgment is a good investment, drawing six per cent. interest.

There is still another case illustrative of some of the peculiar points referred to, and showing the truth of the maxim among lawyers that, "You never know what a jury will do," in which I had the honor, or the misfortune to be joined.

A well-known outside broker in Wall Street, who had a large experience in transacting business for Mr. Sage and other notabilities of the street, in "puts," "calls," and other exterior securities, came to me one afternoon and asked me if I didn't want to buy a pair of diamond earrings.

At that time I had not begun my career as a dealer in diamonds, except in one solitary instance, and that was when I purchased the wedding ring, which is one of the requisites in a matrimonial contract for a long term. I was, therefore, comparatively a tyro in the business, and the party with whom I was dealing did not fail to take advantage of my inexperience. I made some inquiry about the diamonds from this broker, to which I received apparently satisfactory answers, and I concluded they would suit my wife, and as I had had a good day's business I made him an offer of a thousand dollars for the precious ornaments, which he quickly accepted, and I paid him the money.

In the course of a few weeks after I was waited upon by a diamond dealer and his lawyer, with neither of whom I had the honor of any previous acquaintance, and they accordingly introduced each other. The diamond dealer introduced the lawyer and *vice*

versa. I immediately concluded I was going to get a good stock order from both of them, but I was soon disappointed as well as surprised to find that these gentlemen had called on an entirely different kind of business, which was totally devoid of commissions on any stock transactions.

They said I had a pair of earrings belonging to them, and I declined to give them up except on return of my thousand dollars.

These two gentlemen bade me good day, and in the course of time I was served with the usual legal papers in a suit which reached the calendar after some time. The young man who sold me the diamonds was put on the stand. He testified that he had received them from a certain diamond broker, but not the dealer in question, with whom he had had no connection whatever.

The diamond broker, it appeared, had long been agent for this dealer, selling diamonds and had, as set forth in the evidence, sold over ten thousand dollars' worth in a few years.

During the trial a paper was produced to prove that this broker had received these diamonds to show them to a customer, and as it turned out I happened to be the customer. The money which I had paid him for them he had failed to turn over to his employer, of whom I had no knowledge, nor had I any chance of knowing him in the transaction.

All the facts were presented, as above related, to the jury, who, after due deliberation, decided that I must give up the diamonds and suffer to be cheated out of my thousand dollars.

This case is now on appeal. I have since offered to relinquish the diamonds and lose my money, rather than suffer the expense and trouble of continuing the litigation, but plaintiff wants to bleed me further to the tune of $300 to cover his law expenses. To this illegal tribute I have not yet submitted, and have resolved to see what virtue there is in further defense before a higher tribunal.

"Millions of dollars for defence, but not a dollar for tribute," is a maxim which it is expensive to follow, but after all, the result of such a course, if one can afford it, may be morally healthy.

I consider that these cases, in which I acted a rather unenviable part, are only samples of many which constitute one of the best arguments for a general system of arbitration, such as I have briefly and imperfectly outlined.

CHAPTER LII.

NEW YORK AS A FINANCIAL CENTRE.

Its Past, Its Present, Its Future.—Banking Decadence.—Growth of Interior Centres.—Obstruction from the National Bank Laws.—Relief Demanded.—Requirements of the Future.

What New York has been as a centre for the settlement of financial transactions is a matter of history; what it is destined to be, in that respect, may not be so entirely certain as some people hastily assume. There are some facts which seem to suggest the question whether our city may prove able to retain its past proportion of the vast settlements of this ever-growing continent; and, although there is nothing to warrant very positive opinions about the future, it must be conceded as an unquestionable historic fact that in late years there have been symptoms of positive decadence in the status of our financial metropolis.

In the past there have been three separate successive sets of conditions directly affecting the financial standing of New York. First, there was the period when this city was the distributing point for nearly all the importations, and for the bulk of our domestic manufactures through all parts of the country. Equally, New York was the almost sole port of export for Western products, and although the exports for the cotton States were made direct from their local ports, yet the financial transactions connected with those shipments were effected through this city. Then New York had virtually no competitor as an exchange centre.

Next came a period during which the larger Western cities, especially Chicago and St. Louis, aspired to become distributors of foreign and Eastern merchandise; a change very naturally following the rapid growth of population in the West and Southwest. Thus a vast jobbing trade became rapidly established at these interior centres, and New York's share in the distribution of goods to the retail trade became, in a large measure, confined to the Middle and nearer Western States, and to a portion of the South. The jobbers of these new interior centres, however, had still to get their supplies of merchandise from or through the Eastern metropolis; so that, whilst we lost much of our

jobbing business, we retained, with some limited exceptions, the importing and commission branches, together with their ordinary rate of increase.

We are now in the beginning of a third and still more important era, during which both the importing and commission branches of our trade are threatened with invasion. The Western jobbing houses have attained a standing which warrants their importing direct from the countries of production, instead of through New York. Another Western and Southwestern consumption has risen to such a magnitude as to encourage the creation of manufacturing establishments in the vicinity of the markets. The West is rapidly becoming a competitor in the leading branches of manufacture with the East, and is evidently destined to supply itself, at no distant day, with a very large portion of the domestic merchandise hitherto contributed through New York merchants, and with the facilities of New York banks. Nor is this all. Chicago and some other Western cities are throwing off their dependence on New York intermediaries for the exportation of grain and provisions, selling them direct to Europe, and shipping the goods on through bills of lading.

These changes are not the result of any mere spirit of blind recklessness grasping after business. They are the product of actual natural economies, and appear to be so decidedly in the interest of the Western merchants that it can hardly be doubted that the new methods have come “to stay.”

Clearly, then, the natural development of national production of commerce is to build up independent financial centres at the interior, the effect of which can only be to check in some measure the growing ascendancy of New York. Perhaps few among my readers will be prepared for the following statistical facts bearing on this question; the conclusions to be drawn from which are not very flattering to the pride of the “Gothamites.”

The transactions at the New York Clearing House are the surest indication of the standing and progress of this city as a financial centre. The records of that institution show that its annual exchanges rose step by step from 5,750 million dollars in 1854 to 48,566 in 1881, an increase of 744 per cent. in 27 years, or at the average rate of 1,585 millions per year. From 1881 there has been the following remarkable rate of decline:

In 1881, the exchanges were 48,566 millions of dollars.
In 1882, the exchanges were 46,553 millions of dollars.
In 1883, the exchanges were 40,293 millions of dollars.
In 1884, the exchanges were 34,092 millions of dollars.
In 1885, the exchanges were 25,251 millions of dollars.

Thus it will be seen that there has been a decline in the transactions of the Clearing House banks of 23,315 millions, or at the rate of 48.4 per cent., within the last four years. Last year the exchanges fell below even those of twenty years previous, when the amount was 26,032 millions. Of course, this very remarkable decrease in the volume of transactions is, in part, attributable to the great falling off in the amount of speculative transactions in 1885, as compared with 1881. This, however, can only account to a comparatively small extent for such a vast change. Something is also to be attributed to the general decline in the prices of merchandise and investments during the period; but this explanation is also entirely inadequate, for the average fall in prices did certainly not exceeded 20 per cent., while the decrease in the exchanges, as already shown, had been 48.4 per cent. Moreover, on the other side, some offset against the decline in speculation and in prices must be allowed on account of an increase of five to six millions in the population of the country during the interval; which, alone should call for an increase of 10 per cent. within this period. It is still more significant that, since the year 1872, the capital of the banks in the New York Clearing House has been reduced from $84,400,000 to $58,600,000, a decline of 30 per cent.; which at least implies that banking has become less profitable than it formerly was, and which could scarcely have happened if New York had retained its wonted share of the increase of financial operations arising from the growth of population and commerce in the nation at large.

Some light may be thrown on these changes by a comparison between the ratio of progress in the transactions of the Clearing Houses of New York and Chicago respectively.

In 1866, the first complete year of the Chicago Clearing House, the clearings amounted to $453,800,000, while in 1885 the figures reached $2,318,500,000—an increase of 410 per cent. At New York, in 1866, the clearings were $28,717,000,000, and in 1885 they had fallen to $25,250,000,000—a decrease of 12½ per cent. within two decades of great national progress, and while the population tributary to this city had increased over twenty millions.

In the year 1879—the period of the resumption of specie payments and of the beginning of a great revival of commerce and of financial enterprise—the Chicago Clearings were $1,257,700,000, and last year they were $2,318,500,000, showing an increase of 84.3 per cent. The clearings at New York, within the same period, show an increase of about ¼ of one per cent.

It has already been shown that the capital of the banks in the New York Clearing House (exclusive of surplus) fell 30 per cent. below 1872 and 1886; on the other hand, the capital of the banks in the Chicago Clearing House rose from $9,845,000 in 1872 to $16,928,000 in the present year, an increase of 72 per cent.

The foregoing comparisons show that although the clearings at Chicago are only about one-tenth those of New York, yet the former city is making very rapid strides,

while here we are virtually retrograding, and confirm the conclusion above expressed, that the importance of New York as a financial centre is suffering from diversion of settlements and of banking facilities to the larger cities of the interior, and especially to Chicago.

So far as this tendency is the result of natural changes in conditions, it is inevitable and must be permanent, if, indeed, it be not destined to gain in force and extent. But so far as the change is due to artificial obstructions to banking operations, it is susceptible of modification.

And here I may be permitted to venture certain suggestions which may quite possibly encounter objections from men more than my peers in banking experience and wisdom. It has long been my conviction that the banking arrangements existing at New York are far from satisfying the requirements of a city that not only aspires to be, but also possesses many adaptations for occupying the position of the great financial centre, not only for domestic settlements, but also for international exchanges.

The bulk of our banking transactions are done by banks incorporated under either national or State laws. Admirably as the national banking system, taken as a whole, is constructed, yet it includes some important positive disqualifications for its institutions performing an important class of operations essential to a great centre of exchanges. It was, perhaps, not to be expected that a system designed mainly for provincial cities and for rural populations should adequately provide for these broader wants. Nor could any uniform and homogeneous system be expected to be very perfect and satisfy at the same time both classes of requirements. Interior banks, whose management must be expected to be more or less lacking in experience and competency, may need to be placed under legal restraints, which, in the case of a thoroughly conducted metropolitan bank, would be not only needless, but positively injurious. Unfortunately, this discrimination has received little recognition in our national bank legislation; on the contrary, that larger discretion which should have been conceded to the higher training and more select ability that administer the metropolitan banks, has been ignored, and heavier restrictions have been placed upon the New York national banks than upon those of any other part of the national system.

The “reserve” laws are oppressive to no better purpose than that of positive injury. All other banks than those of New York are permitted to count in their reserves any funds resting with their “redemption agents;” and this item usually constitutes, in the case of banks of the “other reserve cities,” 41 per cent. of the total reserves held, and in the case of all other banks about 60 per cent. The New York banks, on the contrary are compelled to hold their *entire* reserve (25 per cent. of their deposits) in the form of lawful money. Nor is this the heaviest embargo. The reserves are not permitted to be used when the occasion arises for which a bank reserve is always presumed to be provided. The moment a bank allows its reserve to fall below the required 25 per cent.

it becomes the duty of the Comptroller of the Currency to close its doors and put it into liquidation if the deficiency be not immediately made good. If panic occurs, and depositors want their money, there is nowhere any power to relax the crushing force of this law, and the banks are therefore compelled to suspend payment to depositors and in order to avert general ruin at such times they have to resort to the expedient of making their cash assets available in common, thereby saving themselves and their customers outside of and in spite of the destructive tendency of the law. Of course, the danger of running into such a crisis as this creates a feverish dread in all times of special stringency in the money market. All eyes are at such times fixed upon the reserve "dead line;" and, as that limit is approached, loans are artificially contracted, depositors draw their money, and the very reserve that should be used for elasticity and to relieve periods of special tension become the certain cause of panic and ruin. A banking centre whose banks are periodically exposed to dangers of this serious character, and where the law unites with adverse circumstances to foster panics, is hampered with the worst possible disqualification for performing those higher and broader functions of banking which demand freedom of discretion and elasticity of resource.

This evil appears all the greater when it is considered that the amount required to be set apart as so much idle reserve ordinarily exceeds the entire capital of the banks. It might be supposed to be serious enough that such a large proportion of the resources of the bank should be held perpetually idle and earning no interest; but when this sacrifice of earning capacity is made for a purpose that brings no advantages, but rather a very serious danger, the effect can be nothing less than an unwholesome and very injurious restriction upon banking operations, and it is not surprising, therefore, that the national banks of New York city exhibit decadence instead of progress.

What is needed to enable this metropolis to reach the financial status to which it is entitled is a class of banking institutions possessing facilities and functions much broader and freer than those conferred by the national charters. It is out of the question to hope that these facilities may be provided through modifications of the national bank system. The banks, and especially those of New York, have to encounter so much prejudice and ignorant demagogism from Congress, in seeking any modification of the national system, that they would sooner endure almost any wrong than demand changes in the law. Their only redress is in reorganizing under the State laws, which many of them have already done, whilst new institutions almost uniformly prefer the State system. To meet the wants here contemplated, it would probably be necessary to get from the State Legislature special authorization for forms and functions of banking not now distinctly provided for under either Federal or State laws.

The special business to be done by such a class of banks scarcely needs enumeration, much of it being so self-evident. In the present stage of our national development, it is becoming a grave reflection upon our men of capital that we should remain almost

entirely dependent on foreign bankers for the facilities for transacting our immense external commerce. The necessity that formerly existed for this dependence can no longer be urged as an excuse. All the capital and the banking experience necessary to found and to administer large credit and exchange institutions are ready to hand. A business of $1,200,000,000 per annum connected with our imports and exports would be available for this form of enterprise. Our export trade is crippled in many branches of business simply because it is found impossible to get the liberal credits necessary to facilitate consignments to distant markets. Manchester defeats us on cotton goods, not so much on the ground of prices or superiority of fabrics, but because her merchants can get any time or amount of credit required, whilst we have to market our goods on restricted credits and through Manchester agents, who at the same time are selling English products in competition with ours. The English exporter has the advantage of being able to get his credits from the bank with which he keeps his account, while the American has to go to a foreign banker, who has no inducement to consider his convenience or to moderate his charges. The natural place for an export merchant to keep his account is with the bank that grants him his credits; and this fact suggests the facility with which banks of the kind here suggested could build up a large business.

Every year we find it necessary to largely pledge our cotton crop in advance to provide the means for gathering and marketing it. Why should this money have to be drawn from England, especially as the crop is thereby subjected to the control of the foreign buyers, and we are unable to protect our own products? These advances afford an illustration of another class of important operations in which the existing banks cannot directly participate, but which ought properly to be undertaken by domestic banks.

With respect to our importations, what sufficient reason can be urged why the importer should have to get his credit from the agent of a London banker, instead of receiving it from an American bank through which he chose to transact his entire business, and which, therefore, would be the fittest source for procuring his credits? It cannot be to the advantage of the importer to be exposed to the vicissitudes of the European money markets, nor can the London banker grant credits to merchants 3,000 miles distant, whose position he imperfectly knows, without compensation for the extra risk. The business is, therefore, done at a disadvantage to both parties. The credit should be issued directly from the point where the importer does his business; and this would soon become the fact were banks to be provided possessing special adaptations for doing such a business.

Other functions proper to institutions of the character here suggested would be the negotiation of corporate loans, temporary advances to corporations, the receiving of corporate accounts, and the facilitation of corporate reconstruction. Banking for the larger corporations presents many possibilities of advantage to both banks and

companies of which our existing banks cannot, as at present restricted, avail themselves.

It is needless to say that these suggested institutions, whilst undertaking operations of the special character above indicated, should also aim to secure the best class of deposits and to discount the higher class of paper. As the national bank laws would prohibit to them the profits of circulation, it might well merit consideration whether they should not issue to customers of high standing their own acceptances, within certain safe limits. These credits, yielding the current rate of interest, would be a highly profitable, as well as an entirely legitimate branch of business; and they have the sanction of successful usage among the best banks of London. I am unable to see what objection there should be to further following London precedent by allowing on deposits a rate of interest below that current in the market for the time being. Such a course would attract accounts and would immensely increase the power and the earning resources of the banks. Moreover, as such institutions, being exempt from embarrassing reserve restrictions and other needless limitations, would be less subject to the oscillations of the money markets than are the present banks, they would afford better advantages to members of the Stock Exchange in the form of loans upon securities than they now are able to get. The importance of this business may be inferred from the fact that the yearly transactions in stocks at the Exchange have averaged, for the last six years, 102,000,000 shares, which, at an estimated average of $60 per share, represents an annual business of $6,120,000,000, to say nothing of the business in bonds, which also is very large.

Banks of this character would naturally attract a large portion of the Stock Exchange houses, which experience has shown to be exceptionally safe and profitable. The single fact that these banks would not be obligated to conform their loans to arbitrary 25 per cent. reserve would be a decisive reason for Wall Street firms doing their business with such institutions.

To some extent the wants here alluded to have been met by our loan and trust companies. As institutions of loan and deposit these institutions are doing important public service, and the deficiencies in the functions allowed to the national banks are diverting to them a large and valuable business. The companies of this character in New York and Brooklyn have nearly $14,000,000 of capital and $15,000,000 of surplus and profits. Their resources aggregate $175,000,000, and their deposits $137,000,000. Their rapid progress is indicated by the fact that, since 1883, their resources have increased $32,000,000, or at the rate of 27 per cent. during three years of depression in business. But while this success demonstrates the great necessity for enlarged local banking facilities, the facilities afforded by the trust companies are entirely too limited to satisfy the large special requirements of a great financial centre above referred to, and only add to the necessity for a class of banks which shall do for New York what the

great joint stock banks and the mammoth private discount houses of London are doing for the business of that cosmopolitan centre.

These suggestions are offered for what the men of Wall Street may deem them worth. They demonstrate that there is ample scope and urgent need for a new element in our banking arrangements to accommodate the larger operations of finance and commerce; and it would not be difficult to prove that the country is suffering seriously from lack of such facilities. It will not be pretended that there is any lack of either the capital or the managerial talent requisite for such enterprise. Nor, since the rate of interest has come to rule as low in this country as it is in Europe, have we any longer anything to fear on that ground from the competition of foreign bankers. At any rate, if New York aspires to a position of financial independence and to become, in the broadest possible sense, the financial centre of the vast and growing exchanges of this continent and of its transactions with other nations, there should be no delay in giving this greater breadth and scope to its banking institutions. Our merchants, I am satisfied, are ready to respond to a movement of this character; are the bankers and the capitalists equally prepared to provide the facilities?

CHAPTER LIII.

EARTHQUAKE THEORIES AND WALL STREET AFFAIRS.

The Shock of Every Calamity felt in Wall Street.—Earthquakes the only Disasters which seem to Defy the Power of Precaution.—Becoming a Subject of Serious Thought for Wall Street Men and Business Men.—The Volcano Theory of Earthquakes.—Other Causes at Work Producing these Terrific Upheavals.—Why Charleston was more Severely Shaken Up than New York.—Why the Southern Earthquake did not Strike Wall Street with Great Force.—Earthquakes Likely to Become the Great Disasters of the Future.

Wall Street is the financial centre of this country as much so as London is recognized to be the financial centre of the world at the present time. Hence it is really the heart of the nation, through which its financial blood flows to invigorate and impart new life to every section of the land. Hence, also, every section and city have an influence on Wall Street. When the Chicago fire occurred it immediately created a panic. When a calamity occurs at any part of the country the shock is first felt in Wall Street. When a large failure happens, such as that of a bank or important railway, in any other locality, the influence is at once imparted to Wall Street. This is owing to the fact that Wall Street is the recognized and only market for securities of every description. All sections are dependent upon it, because it controls the money market. It is the great connecting link of the financial transactions of the whole country. A probable disaster through fire, like that which occurred at Chicago, is now no longer a terror to the Street or to the country, as was the case for a long time after that terrible calamity, for the reason that methods have been adopted for the purpose of restricting the conflagration and confining it within narrow limits. Fires which occur now are soon extinguished, and it is unlikely that they can ever play such havoc as they have done in the past. The possibility, with our enlarged experience, of taking precaution against those various calamities has robbed fires of most of their former terrors. Science and machinery have furnished us with the means of grappling with them.

But the one great, and now very alarming exception, which seems to defy the power of science and every human precaution, is an earthquake. This remarkable phenomenon

has awakened great interest and inspired terror in the minds of the people at the present time, because the exhibition of its destructive powers is fresh in our memories on account of its terrific visitation at Charleston. Hence, many people are in great fear that some other section of the country may be stricken at any moment with a similar overwhelming disaster. It is the insidious and uncertain nature of the calamity that strikes the mind with awe. There is no possibility of anticipating it or making the least provision to avoid its dreadful consequences. The Charleston earthquake wiped out over ten millions of property. It came, like a thief in the night, and before morning the greater portion of the city was a mass of ruins. When we reflect on the extent of the destruction of property, it is marvellous how few people were killed—only about one hundred, and only two or three hundred were wounded. One of the greatest wonders why this calamity should have occurred in Charleston is, that part of the city has stood for nearly two centuries, and the recent earthquake has been the first it has experienced. Another curious circumstance is, that the disaster should have occurred on so large a scale there, as the locality is so far removed from the region of any volcano.

This clearly demonstrates that the old "volcano" theory of earthquakes is thoroughly exploded, and we must seek for causes and the explanations in other quarters. Although Wall Street has not been governed by any known law of earthquakes, except as regards the fluctuations of the properties in a bear market dealt in at the Exchange, yet a great number of Wall Street habitues, as well as other business men, are beginning to think seriously on the subject of earthquakes, and are attempting to penetrate their causes. Reflecting upon the upheaval—or rather the settling down of Charleston—I have come to the conclusion that similar disasters may be looked for in other localities, hitherto not subject to them, and considered by scientists absolutely free from these phenomena, at least on so large a scale. These peculiar disturbances that now make life so precarious on this planet, I attribute to the innumerable and so largely increasing excavations going on in various parts of the country, in the different mining operations, which displace the underpinning of the surface and cause it to sink beneath the weight which it carries. Of all the great mining industries which conspire to produce earthquakes, I think that of oil plays the most important part, and is the most treacherous in its operations beneath the surface of the earth. The pumping of oil from the bowels of the earth has been going on for thirty years in this country in several districts. I believe it is not too large an estimate to state that in that time an enormous lake of oil has been removed, that would probably fill the basin of Lake Erie or Ontario. That fluid made its way, probably, some of it from long distances in subterraneous rivers before reaching the place where the nature of the soil permitted it to gush through a shaft to the surface, as it does in such abundance in the oil regions of Pennsylvania. Some of those undercurrents may have come from other States, percolating through and disintegrating the soil in their passage for hundreds of miles, until they found an outlet, on the principle that all fluids have a tendency to find their level. There may be a great underground reservoir of this oil,

which has taken many years to penetrate through the earth owing to the tendency stated, cleaving, in its subterraneous journey, fissures through ranges of mountains, and thus loosening the earth and taking away the support from the surface wherever it has penetrated. The fluid, percolating through various strata of clay and rock, has displaced these in its course. Owing to this displacement there must, of necessity, be a settling down of the land in the various regions through which the oil has passed, which will, of course, differ in degree owing to the density of the rock or clay. If the earth should be of a pulpy, soft nature the settling will be greater, and when it happens to be the foundation of a town or city the catastrophe will also be greater in inverse proportion to the degree of consistency of the earth. It is presumable, therefore, that some of the streets beneath the foundation of Charleston is of this pulpy, yielding character, and hence great was the fall of that city.

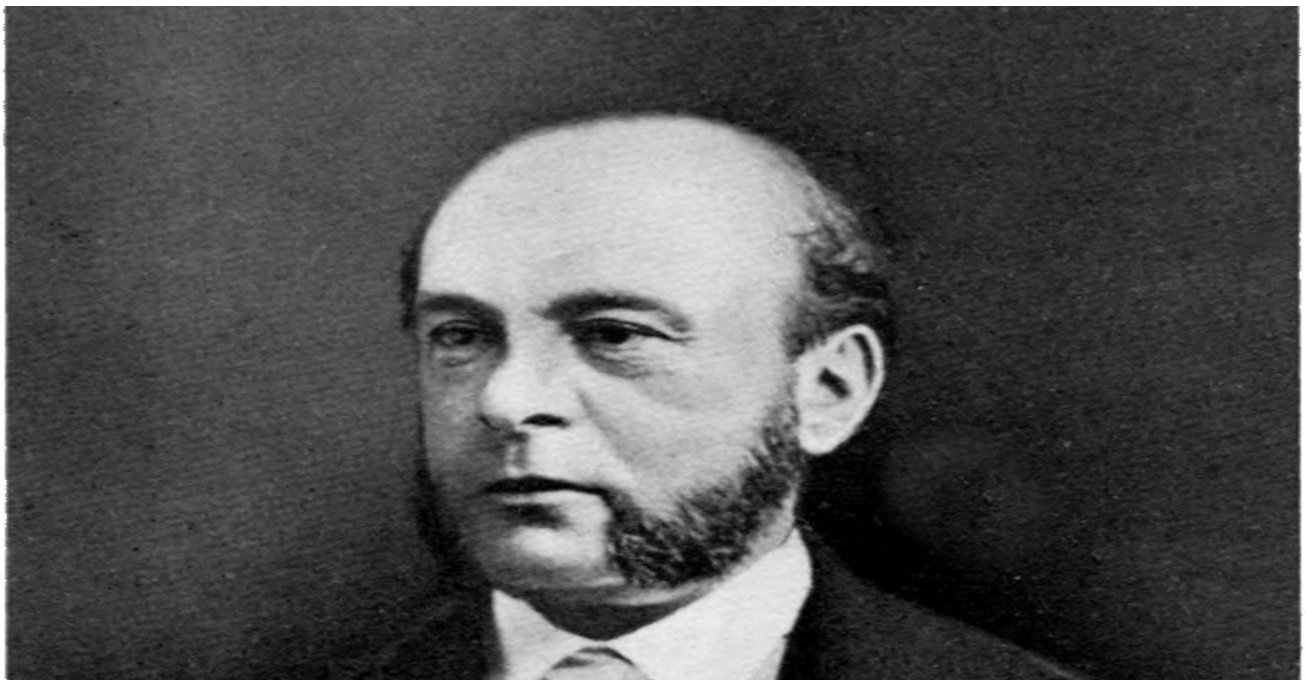
When New York was visited by the earthquake in 1884, and at various other times, there was only a moderate shaking up, comparatively speaking. Why? Because its substructure is solid stone to an immense depth, even lower than the depths of the ocean. Of these subterraneous rivers of which I have spoken we have many examples besides that of oil, and also proofs that they traverse great distances, as, for instance, in the case of the Saratoga Springs. It is clearly demonstrated that in the case of these and other springs the waters must come from various sources, and pass through many varieties of minerals before they arrive at their destination, and thus receive the combination of elements which impart to them their medicinal qualities. Then there are numerous instances of this remarkable power of water in the case of these monstrous land slides in mountainous regions, such as the Alps. In the act of attempting to find its level, too, water sometimes exerts its influence, in breaking up rocks, equal in its manifestation to a powerful explosive. Thus we see the great influences that are at work everywhere capable of producing earthquakes without the necessity of resorting to the volcanic theory and without the aid of fire.

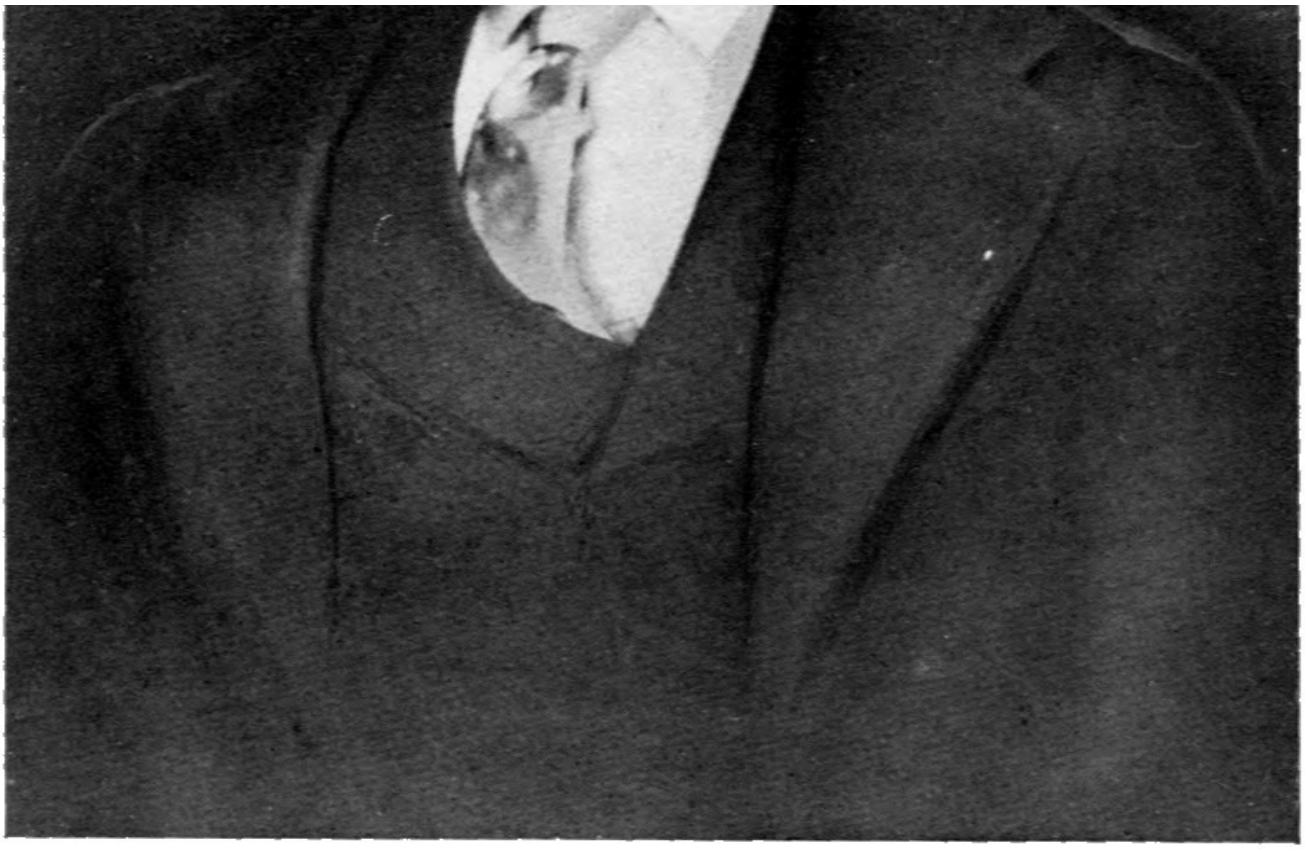
In further illustration of this theory of earthquakes, let us suppose that one of these immense oil lakes which must exist in the bowels of the earth should be situated beneath a mountain, where it has been undisturbed for ages, but through some recent disturbing cause—most likely that of excavating, to which I have referred—it begins to find an outlet through various fissures. When once started, this great mass of fluid matter begins to go with a rush, forcing innumerable outlets, until the internal lake is in a measure exhausted. This creates an immense vacuum, which deprives the mountain of a large portion of its support; hence there is a settling down of several inches or several feet, according to the nature and the solidity of the support. It is this process of settling down and the struggle of the large masses of fluid to force their way out, that create the rumbling noise resembling that of distant thunder, and which also cause the tremulous and quivering motion felt at the surface of the earth, and still more distinctly in the houses, and most distinctly of all in the upper stories thereof. These effects may be

produced at a great distance from the original cause of action, varying, of course, in their intensity according to that distance. Several of these effects have been distinctly experienced in Charleston since the first great catastrophe, but showing that the cause is weaker and further removed from the scene of the disaster than it was during the first fearful shock.

The Charleston earthquake did not strike Wall Street with very great force. The very fact of its weak effect upon the great financial centre of gravity created about as much surprise in the Street as the frightful shock itself did in a very different and opposite manner upon the people of Charleston. The reason that the great catastrophe which overwhelmed Charleston had so little effect on Wall Street was chiefly owing to the fact that comparatively little loss fell upon the corporations or the people connected with Wall Street interests. The loss of ten millions fell mainly upon the people of the doomed city alone. Only a small portion fell upon people located elsewhere either in the North or the South. Had such a disaster happened in any of the large cities North, East or West, owing to their intertwining connections with Wall Street, a panic would have been the result not unlike the one which followed the Chicago fire.

Earthquakes are likely to become the great disasters of the future most to be dreaded. Our population now comprises sixty millions, which, at the present rate of increase, will soon reach one hundred millions. Among these is a large proportion of go-ahead, driving men, who are constantly diving into the bowels of the earth to dig up the vast treasures which are there concealed. Through this laudable enterprise the underpinning of the surface of our globe is being constantly disturbed; and though it is far from a consoling reflection, the time may come, and may not be far distant, when such calamities as that of Charleston may be as common as railroad accidents are now.





August Belmont

CHAPTER LIV.

AUGUST BELMONT.

The American Representative of the Rothschilds.—Begins Life in the Rothschilds' House in Frankfort.—Consul General to Austria and Minister to the Hague.—A Great Financier and a Connoisseur in Art.

August Belmont has achieved the highest credit of any banker in the United States. His bills are always in demand and command a little more than those of any one else. He came to New York comparatively poor, but is now worth millions. As a representative of the Rothschilds in this country he has for many years held a high position in the financial world. He has managed the business of that historic house with prudence and exceptional acuteness and sagacity. Contrast his success in this country with the experience of Americans abroad. George Peabody, and J. S. Morgan, the successor of that philanthropist, may seem to be exceptions to the rule, but they did not win such social and business success as has been achieved by Mr. Belmont in this country, and the fact remains that no American could have been so successful abroad as he has been in the United States. Europe does not afford the opportunities that so often arise here. This is the country of great and frequent opportunities; there is a large and inviting field for enterprise and business skill, although, of course, all cannot win such a position in the financial world as that occupied by Mr. Belmont, who is reckoned among the wealthiest as well as the most honored of America's adopted citizens.

He was born in the Rhenish Palatinate sixty-eight years ago. His father was a man in well-to-do circumstances, who sent him, when he was thirteen years old, to become an apprenticed clerk to the Rothschilds in their Frankfort house. According to the German custom, he received no pay; he was compensated by the opportunity of learning the banking business. He made rapid progress. Before he was twenty-one he was selected to accompany one of the Rothschilds to Italy and France as his secretary. In 1837 the famous house, recognizing the promising field in this country for profitable investments, sent young Belmont to New York as their agent, a position which he held till 1858, when he became their American correspondent and general representative, and this

responsible post he has held ever since. In 1844 he was appointed Consul-General for Austria, and held the position for five years, when he relinquished it because of his personal friendship for Louis Kossuth and his sympathy with Hungary in the quarrel with Austria. In 1849 Mr. Belmont married the niece of Commodore Perry, the hero of Lake Erie, a beautiful and accomplished lady, who did much to strengthen his social position. In 1853 he was appointed Minister to the Hague by President Pierce, and served four years. He has always been a staunch Democrat, and was for several years chairman of the Democratic National Committee. He has generally refused to accept public office, but his eldest son, Perry, has served several terms in Congress.

Mr. Belmont is under the medium height, rather stout, with iron-gray side whiskers, round German features and keen dark eyes, and among the strong characteristics of the man is his marked chivalric courtesy and knightly courage. As a financier he has few equals and no superior, and to his politic and conservative management, as well as his foresight and intimate knowledge of affairs, is due the American prestige and success of the Rothschilds. Mr. Belmont's house on Fifth Avenue, with its splendid art treasures, is worth a large fortune in itself. He is a connoisseur in works of art, and has one of the finest private collections of pictures in the world. For many years he has also had a princely residence at Newport and a stock farm at Babylon, Long Island. Though not, strictly speaking, a club man, he was one of the founders of the Manhattan Club. His successful career is an illustration of the fact that this country affords a fine opportunity for the intelligence, thrift and industry not only of native Americans but of the Republic's adopted citizens.

CHAPTER LV.

THE SOCIALIST OBJECTIONS TO THE PRESENT ORDER OF SOCIETY EXAMINED.

Increase of Population and the Growing Pressure upon the Means of Subsistence.—Education and Moral Improvement the True Remedy for Existing or Threatened Evils.—Errors of Communism and Socialism.—How Socialistic Leaders and Philosophers Recognize the Truth.—Growth of Population Does not Mean Poverty.

Mr. Mill says: "It is impossible to deny that the considerations brought to notice in the preceding chapter make out a frightful case either against the existing order of society or against the position of man himself in this world." How much of the evils should be referred to the one, and how much to the other, is the principal theoretic question which has to be resolved. But the strongest case is susceptible of exaggeration; and it will be evident to many readers, even from the passages I have quoted, that such exaggeration is not wanting in the representations of the ablest and most candid Socialists. Though much of their allegations is unanswerable, not a little is the result of errors in political economy; by which, let me say once for all, I do not mean the rejection of any practical rules of policy which have been laid down by political economists—I mean ignorance of economic facts, and of the causes by which the economic phenomena of society as it is are actually determined.

In the first place, it is unhappily true that the wages of ordinary labor, in all the countries of Europe, are wretchedly insufficient to supply the physical and moral necessities of the population in any tolerable measure. But, when it is further alleged that even this insufficient remuneration has a tendency to diminish; that there is, in the words of M. Louis Blanc, *une basse continue des salaires* (a continual decline of wages); the assertion is in opposition to all accurate information, and to many notorious facts. It has yet to be proven that there is any country in the civilized world where the ordinary wages of labor, estimated either in money or in articles of consumption, are declining; while in many they are, on the whole, on the increase—and an increase which is becoming, not slower, but more rapid. There are, occasionally, branches of industry

which are being gradually superseded by something else, and in those, until production accommodates itself to demand, wages are depressed; which is an evil, but a temporary one, and would admit of great alleviation even in the present system of social economy. A diminution thus produced of the reward of labor in some particular employment is the effect and the evidence of increased remuneration, or of a new source of remuneration, in some other; the total and the average remuneration being undiminished, or even increased. To make out an appearance of diminution in the rate of wages in any leading branch of industry, it is always found necessary to compare some month or year of special and temporary depression at the present time, with the average rate, or even some exceptionally high rate, at an earlier time. The vicissitudes are no doubt a great evil, but they were as frequent and as severe in their former periods of economical history as now. The greater scale of the transactions, and the greater number of persons involved in each fluctuation, may make the change appear greater, but though a large population affords more sufferers, the evil does not weigh heavier on each of them individually. There is much evidence of improvement, and none that is at all trustworthy, of deterioration, in the mode of living of the laboring population of the countries of Europe. When there is any appearance to the contrary it is local or partial, and can always be traced either to the pressure of some temporary calamity, or to some bad law or unwise act of government which admits of being corrected, while the permanent causes all operate in the direction of improvement.

M. Louis Blanc, therefore, while showing himself much more enlightened than the old school of levellers and democrats—inasmuch as he recognizes the connection between low wages and the over-rapid increase of population—appears to have fallen into the same error which was at first committed by Malthus and his followers, that of supposing that because population has a greater power of increase than subsistence, its pressure upon subsistence must be always growing more severe. The difference is that the early Malthusians thought this an irrepressible tendency, while M. Louis Blanc thinks that it can be repressed, but only through a system of Communism. It is a great point gained for truth when it is recognized that the tendency to over-population is a fact which Communism, as well as the existing order of society, would have to deal with. And it is encouraging that this necessity is admitted by the more considerable chiefs of all existing schools of Socialism. Owen and Fourier, as well as M. Louis Blanc, admitted it, and claimed for their respective systems a pre-eminent power of dealing with this difficulty. However this may be, experience shows that in the existing state of society the pressure of population on subsistence, which is the principal cause of low wages, though a great is not an increasing evil; on the contrary, the progress of all that is called civilization has a tendency to diminish it, partly by the more rapid increase of the means of employing and maintaining labor, partly by the increased facilities opened to labor for transporting itself to new countries and unoccupied fields of employment, and partly by a general improvement in the intelligence and prudence of the population. This

progress, no doubt, is slow; but it is much that such progress should take place at all, while we are still only in the first stage of that public movement for the education of the whole people which, when more advanced, must add greatly to the force of the two causes of improvement specified above. It is, of course, open to discussion what form of society has the greatest power of dealing successfully with the pressure of population on subsistence, and on this question there is much to be said for Socialism; what was long thought to be its weakest point will, perhaps, prove to be one of its strongest. But it has no just claim to be considered as the sole means of preventing the general and growing degradation of the mass of mankind through the peculiar tendency of poverty to produce over-population. Society as at present constituted is not descending into that abyss, but gradually, though slowly, rising out of it, and this improvement is likely to be progressive if bad laws do not interfere with it.

CHAPTER LVI.

STOCK EXCHANGE CELEBRITIES.

How Wall Street Bankers' Nerves are Tried.—Fine Humor, Jocular Dispositions, and Scholarly Taste of Operators.—George Gould as a Future Financial Power.—American Nobility Compared with European Aristocracy.—How the Irish can Assist to Purge Great Britain of her Bilious Incubus of Nobility.—The Natural Nobility of our own Country, and their Destiny.

Among the well-known members of the Stock Exchange not elsewhere mentioned are James D. Smith, who is now in his second term as President, and who is also President of the New York and Exchange clubs and Commodore of the New York Yacht Club, a man of a genial nature and everyone's friend; Brayton Ives, twice President of the Stock Exchange, the colonel of a cavalry regiment under General Sheridan in the civil war, and later a Brevet-Brigadier General; a graduate of Yale, and a member of the Union League, Century, Athletic and University clubs; Charles Johnes, the King of board room traders, once a clerk for Henry Clews & Co., now worth a million, and a Prince of good fellows, as bright and quick as he is popular; Louis Bell, a daring and successful operator, a son of the well-known Isaac Bell, and who was at one time a clerk with Brown Brothers & Co., the bankers; John Kirkner, another plucky operator, keen in forecasting the market, and tenacious of his opinions, whether contrary to generally accepted views or not; Eugene Bogert, Wm. B. Wadsworth, William Henriques and James Raymond, also successful traders; John Slayback, Edward Brandon, James Mitchell, Vice-Chairman Alexander Henriques, ex-President J. Edward Simmons, Secretary Geo. W. Ely, Donald Mackay, Thomas B. Musgrave, Frank Work, the Wormsers, R. P. Flower, John T. Lester, Frank Savin, Charles Schwartz and A. E. Bateman, are all worthy of special notice. Some of the foregoing have a large following, more particularly the large room traders, like Messrs. Johnes, Bell, Bogert, Kirkner and Wadsworth. There are eleven hundred members of the Stock Exchange, and it is seldom that a black sheep is discovered among them. There are some lambs, perhaps, who receive a spring and fall shearing, but if they have pluck the wool comes back again, and they push up the thorny and brambly path to wealth, leaving, it is true, a little fleece here and there in the struggle, but generally "getting there," nevertheless. It

is, however, a mistake to suppose that all the members of the Stock Exchange are wealthy. They have their ups and downs like everybody else, and some are in very moderate circumstances.

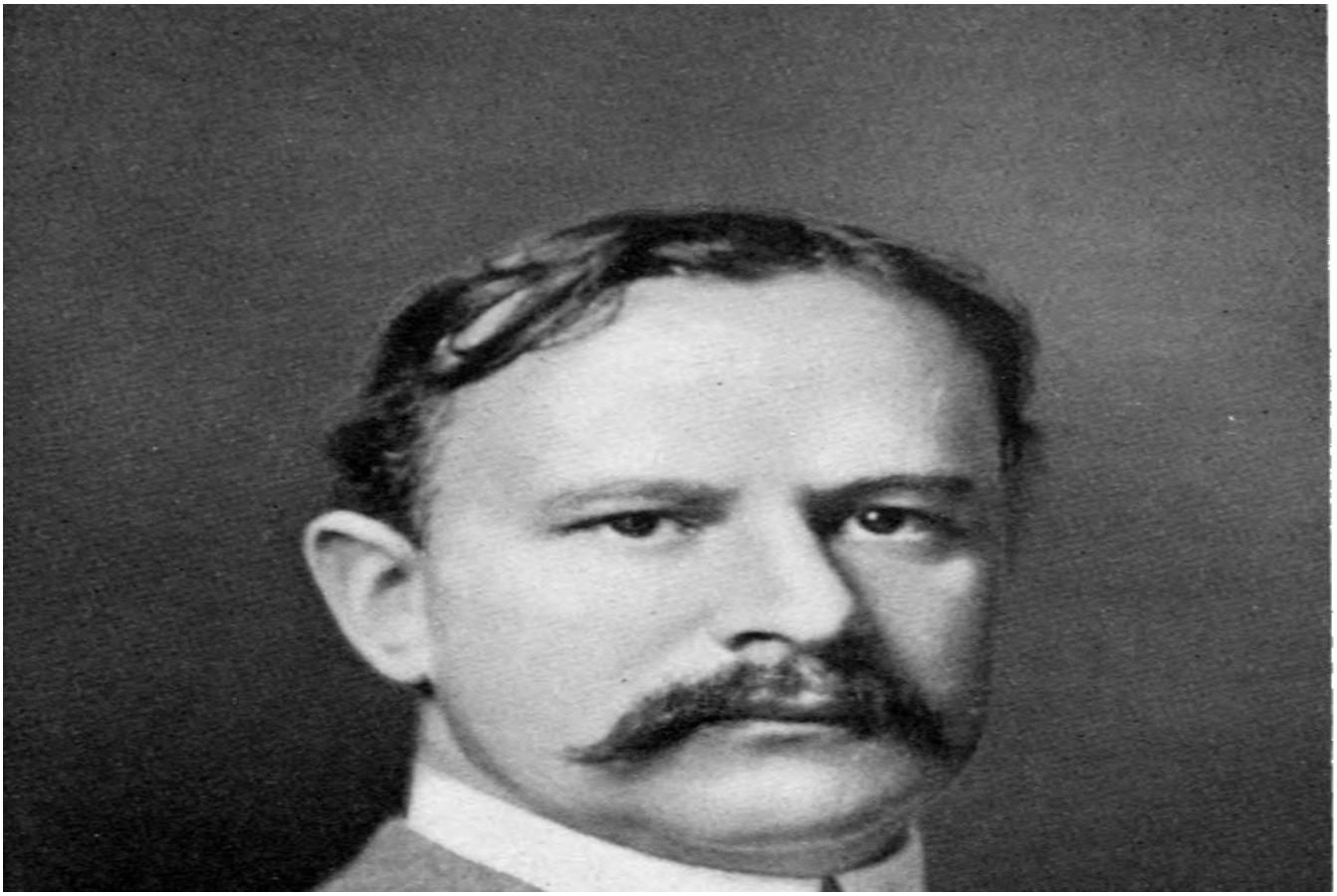
The strain on a Wall Street broker is so great, the tension of the nerves, in one of the most trying vocations known in the business world, is so severe, that joking and in fact boyish pranks constitute a safety valve for the relief of brains that would otherwise become disordered. Without the relief of joking and skylarking, Nature's own remedy for the burdened mind in such circumstances—many a stock broker would go mad. "There is nothing so good as a laugh," says the song, and this expresses a profounder truth than is generally suspected. Charles Darwin relaxed the severe mental strain induced by his inquiries into occult questions of biological science by reading the humorous extravagances of Mark Twain, and the greatest thinkers, men who are far out on the cold frontiers of thought, seeking, as intellectual pioneers, the solution of the fundamental problem of existence, are proverbially jocular in their hours of relaxation. Nature herself may be said to laugh, and why not overburdened business men? The pranks at Christmas on the Stock Exchange, the sound of hand organs in the Board Room, the smashing of hats, pushing and jostling, the blowing of tin horns, the waltzes and lanciers, the walking matches, wrestling and sparring—these are only the natural reaction through the safety valve of humor which tend to relieve undue tension and keep the spirits clear and fresh. There is more or less skylarking on all dull days, and the effect is mental invigoration. It is a mistake to suppose that only the younger men participate in these amusements. The older members are the most incorrigible. When a new member, for instance, is receiving his vigorous initiation and being hustled here and there like a chip in raging waters, his silk hat skimming along the floor, the foot ball of hundreds of feet, his collar at right angles with his person and his coat tails flying like a Dutch lugger under full sail, a group of older members may look on with apparent disapproval, but the moment the newcomer is driven in their direction he finds that his last state is worse than the first. The veterans give him a reception that makes him look wilder and gasp more than ever, and he is glad to escape from these gray bearded evil-doers. The horse play is rough but it does no harm, and the new member, after buying a new hat, is ready to "get square" on the next unfortunate wight to be initiated.

As to the Stock Exchange as a great financial institution, none stands higher in the world. Its transactions involve hundreds of millions in a year, and nowhere is there more regard for strict equity in business. Its members are as exemplary a class of business men as can be found anywhere. Its methods are strictly upright, and a black sheep finds no mercy. Wealth will not necessarily procure a membership in this great financial emporium. The applicant must be a person of good repute. It numbers men of great wealth, men of a high order of talent, men of scholarly tastes, connoisseurs in art, students of science, literature and philosophy, and men capable of standing at the helm and giving direction to vast enterprises in the domain of finance and commerce. There is

not a more intelligent body of men in the world. The very nature of their business compels them to study great public questions, and many of the members are men of a distinctly statesmanlike caste of mind, of whom the Stock Exchange may well be proud, while they themselves derive no small distinction from being identified with so illustrious and honorable a body.

Washington E. Connor.

Washington E. Connor was born in New York city about 37 years ago. He first appeared in Wall Street as a clerk for Wm. Belden & Co., a firm in which the redoubtable Jim Fisk was once a partner. Black Friday of September, 1869, when a financial hurricane whistled through Wall Street, brought young Connor to the front, and he has ever since remained there. He was long the able lieutenant of Mr. Gould in large speculations. He is a natural leader in speculation—cool, quick and adroit. From time to time he has been a director in the Western Union, Union Pacific, Missouri Pacific, Missouri, Kansas & Texas, Kansas Pacific and Wabash Companies. He was president of the Central Construction Company, which established the lines of the American Union Telegraph Company. He was a director in the famous Credit Mobilier Company, the Texas & Colorado Improvement Company, the Metropolitan and New York Elevated roads and the New Jersey Southern. He is a member of the Union League and the Lotus clubs, and especially enjoys the society of artists, writers and other persons of talent and cultivation. He has a good library, and is of a somewhat studious turn of mind. As a youth he studied at the College of the City of New York.



George J. Gould

A Future Financial Power.

George J. Gould will be one of the few very rich men in this country, as he will, of course, be his father's successor. He possesses good abilities, has an attractive presence, and is modest and retiring in his manners. He has, thus far, made an excellent record, and the Stock Exchange was glad to admit him to membership. He is connected with all of his father's roads, and is gradually relieving him of much of the onerous work connected therewith. If anything should happen to Jay Gould, George Gould would stand in the same financial relation to his affairs that Wm. H. Vanderbilt sustained to his father, the Commodore, and, like him, would be found equal to the new honors and responsibilities devolving upon him. This reasonable expectation should dispel any apprehension of a financial shock in the event of Jay Gould's demise.

George Gould is bright and agreeable, and a good husband. If Jay Gould has made enemies, that is no reason why his son should not be popular. It is proverbial that the male descendants of a family are more akin to the side of the mother than to that of the father, and as Mrs. Jay Gould has always been recognized as a most exemplary wife and mother, she may rightfully be regarded as the equal of any woman in New York, and one to be respected and honored accordingly by those whom we ought to take as social exemplars. There should be no other standard of social test than that of merit; not judging individuals by what they were, but by what they are to-day; not judging by the ridiculous test of ancestry—a criterion which would upset some of our social demi-gods—but by the real worth of the living man or woman. Suppose, for instance, the young Vanderbilts, who rank high in society, and are splendid specimens of nature's noblemen, should be measured by the standard of the old Commodore when he was a boatman on Staten Island. Everybody would recognize such a test of fitness as to the last degree absurd. In the United States nature's nobility is at the front, as against the parchment nobility of England and the Continent. The *personelle* of the English nobility makes a sorry showing beside that of young George Gould, the young Vanderbilts, and others of our wealthy Americans.

The modern nobility spring from success in business. Peace has its victories in the formation of character greater than those of war; and peace and republicanism will develop the future greatness of the human family, and not pretentious yet effete monarchies, of which mankind is heartily sick. Many of the so-called noblemen of to-day shine only by a faint reflected glimmer from the armor of mediæval ancestors; or their ancestry may be much more recent, and steal slyly off in the gloom of forgotten crimes to the prison or the gallows; or their patent of nobility may be a thing of yesterday, a child's bauble solemnly displayed by addle-pated dotards, ridiculous even

to the unthinking. The English nobility is coming to the auction block. Not a few in former times laid their heads there for treason, but now it is articles of more value, namely, the curious, the antiquities, the bric-a-brac, the works of art, the rare furniture, which comes to the block, and they are purchased by the new nobility raised up by success in finance and commerce. There is very little in Europe which is not obtainable at a price. Titles in England may yet be sold as they have been in Italy. Who cares for a title of Italian or French nobility? To this low estate must English titles come at last. It is marvellous that they have endured so many centuries after the downfall of the feudal system that originally gave them birth.

Why is it that Gladstone has always refused a title?

One reason is that at his birth nature gave him a higher title to nobility than parchment can ever confer.

Another is that he did not care to be ennobled and then wrapped, as a titled mummy, in the sweet-scented cerements of political death, to be buried in that Egyptian tomb of political extinction, the House of Lords. And to-day he is a Colossus among statesmen, whose grand figure will loom up in history as one of the foremost men of the nineteenth century, a Titan dwarfing the proudest of a senile nobility. And yet he is simply a great Commoner.

If the Irish wish to assist nature in purging Great Britain of her bilious incumbus of nobility, they should recognize the fact that ridicule is a good medicine. The Irish are proverbially prolific. Let them make a point of christening the rising generation with titled names. Then there would be myriads bearing the name of Duke O'Reilly, Earl McCarty, Marquis O'Brien, Baron Sullivan, Sir Timothy Finnegan, Lord McSwynny, and so on. The objection to this plan, however, is that it would brand thousands of innocent and helpless children of worthy parents with titles which have become contemptible to all right-thinking persons as the badges of imbecility, mediocrity, or dishonor. This is a rather lengthy digression after beginning with one of the natural nobility which we have in this country, namely, the nobility founded solely on merit, but the case of a young man like George Gould naturally suggests contrasts. He is destined to take a commanding position in the world of finance in future years, and it is gratifying to know that he is a man of high character, excellent capacity, and of great promise. There is usually a disposition to criticise the sons of very wealthy men, due to that envy to which poor human nature is so prone, but the fact in this case is indisputable that young Gould is held in high esteem wherever he is known. He is a graduate of Harvard and Columbia, and a member of the Manhattan and other clubs, and he is, in the business world, where he is most powerful, simply a reserved and quiet associate, always controlling his lines, but never interfering in a strident way with those who are working for them.

CHAPTER LVII.

A LOOK INTO THE FUTURE.

What we are.—What we are Preparing for.—What we are Destined to do and to Become.—We are Entering on an Era of Seeming Impossibilities.—Yet the Inconceivable will be Realized.

In reviewing the past, I am struck with the enormous growth of New York as a city, New York as a State, and the United States as a Nation. The fact is that we hustle through the business world so fast (and this is especially applicable to Wall Street), that we do not realize how rapidly we are going. To any one who is familiar with the appearance of the down town or business part of the city, as it was twenty years ago, ten years ago, or even eight years ago, the difference to-day will give some intimation of the changes which are going on around us, and are merely features of development. Why, even ten years ago, the old Equitable Building was a structure to which attention was attracted because of its greatness and its superiority over any other building in New York city—its height, its width, its breadth, its depth, its elevators, its beauty of arrangement inside and its artistic aspect outside. Millions of dollars have been spent in the past few months in making this one building about four times as large as the original structure which brought pride to the hearts of New Yorkers, and surprised and startled their friends from the country. To-day it is one of the greatest buildings on the Island, and even rivals the State Capitol, which is supposed to be the pride of the people of the Empire State. This is only one instance. All along lower Broadway, the great business artery of the country, four-story and five-story buildings have been torn down, and nine-story buildings put up in their place. Four and five buildings have been dug away and a single structure put up in their place, and in some of the buildings—indeed in scores of them—within a few blocks of the Stock Exchange, there are whole communities of people who are performing life's work in their own good way, rather than interfering with their neighbors or themselves, and who know nothing of what goes on around and about them, and care less. Small armies of retainers and servants, and the most perfect mechanism, are needed to enable these communities to carry on their work with dispatch and convenience. That is to say, where offices are rented in the eighth and ninth stories of a building, the occupants expect to be shot up to them, and down from them,

with no trouble to themselves, and no weariness of limbs—and they are. This must be done, too, without loss of time—and it is. All the attendant arrangements must have the elements of luxuriousness and comfort—and they do.

This is a small feature of our development, however. So far as the development of the city is concerned, this appears to be an era of bridges, and Rapid Transit Elevated roads. So far as the development of inter-State communication is concerned this is an era of Express Trains, which, although they have reached a speed of a mile a minute in certain perfected sections of the roads, do not at all indicate what will come to pass in the future. Electricity is, of course, the means for instantaneous communication between separate points known to human intelligence, practically annihilating time between the New World and the Old World, and between separated points in either world, or even in the cities. But electricity does not travel with anything like the speed of light and air. Now, in some few instances, we have utilized compressed air as a means of locomotion. Efforts are being made, but are still in a crude state of development, for the utilization of electricity as a motive power. Suppose we look one handled years ahead, and, calculating upon the factors and experiences of the past one hundred years, imagine what the picture will be of this town as a city, and this people as a nation. I believe that one hundred years hence the era of bridges between this city and those which adjoin it across the rivers, will have passed away, and that instead of one or two or five bridges across the East River, we will have pneumatic tubes at every pier, and I believe the same will be true on either side and at the end of the island. These tubes will spread from New York, as the blood vessels in the human body spread out and are supplied from the heart; for New York is not only the business heart of this country, but it is destined to be, so surely as God permits growth, the business heart of the world, and the money centre of the world. And the arteries from this centre will distribute the blood all over, and in all directions. Through these pneumatic tubes I believe there will be almost instantaneous communication or transportation of people from one point to another. Nor will this be confined to New York city alone. In the near future the Trunk Line Railroad to leading points, such as Washington, Philadelphia, Boston and Chicago, will probably run trains at the rate of one hundred miles an hour, and even this will only be a beginning. To admit of this, steel rails will be required of about double their present weight, and the wheels must be proportionately massive and strong. The risk attendant upon such increased speed will be no greater than the ordinary speed of the present day, say forty miles an hour. But the time will come, during the next five generations, when the pneumatic tubes will extend from here to these central points of the East and the West and the South; and it will be possible for a man to leave New York at seven o'clock and go to Chicago for breakfast, transact his business and return to New York for lunch or business appointment by twelve o'clock noon of the same day. Of course, one of the problems to be solved in connection with this sort of meteoric speed will be to supply air for breathing purposes; and the same compressed air which will shoot the

carriage through the tube, will be in some form utilized for the purpose. This, however, only for a period; for I think the time must come when electricity will be the one motive power of this country and of the world, so far as the transportation of people and property is concerned. Time is money, and the American idea is to save time. We now waste little enough of it in all conscience. The greatest business of the world, that of the New York Stock Exchange, is already compressed into five hours' time; and yet it is a business in which the most trivial error or accident because of haste might cause losses of millions. The obliteration of time is a necessity of American enterprise. When Electricity is made the general propelling power, it is likely that a stationary engine will be located at Niagara Falls, and the force and power of those waters utilized to supply all the needed propelling power for this State, if not even beyond, to remote and far-off sections of our country. I heard it once said by an intelligent authority, that it had been predicted that instead of the coal mines of this country sending their products hundreds and thousands of miles away, for transportation-power, at a great expense, that a stationary engine would be located at the mouth of the mine, and the power derived from the coal transmitted therefrom over an electric wire. This would, indeed, be a great transformation, and a great improvement and a great economy. But a greater change, one quite as likely in the future, and perhaps possible within the lifetime of some of our children, will be the abolition of railroads by the pneumatic tube process, and the transmission of power as I have suggested.

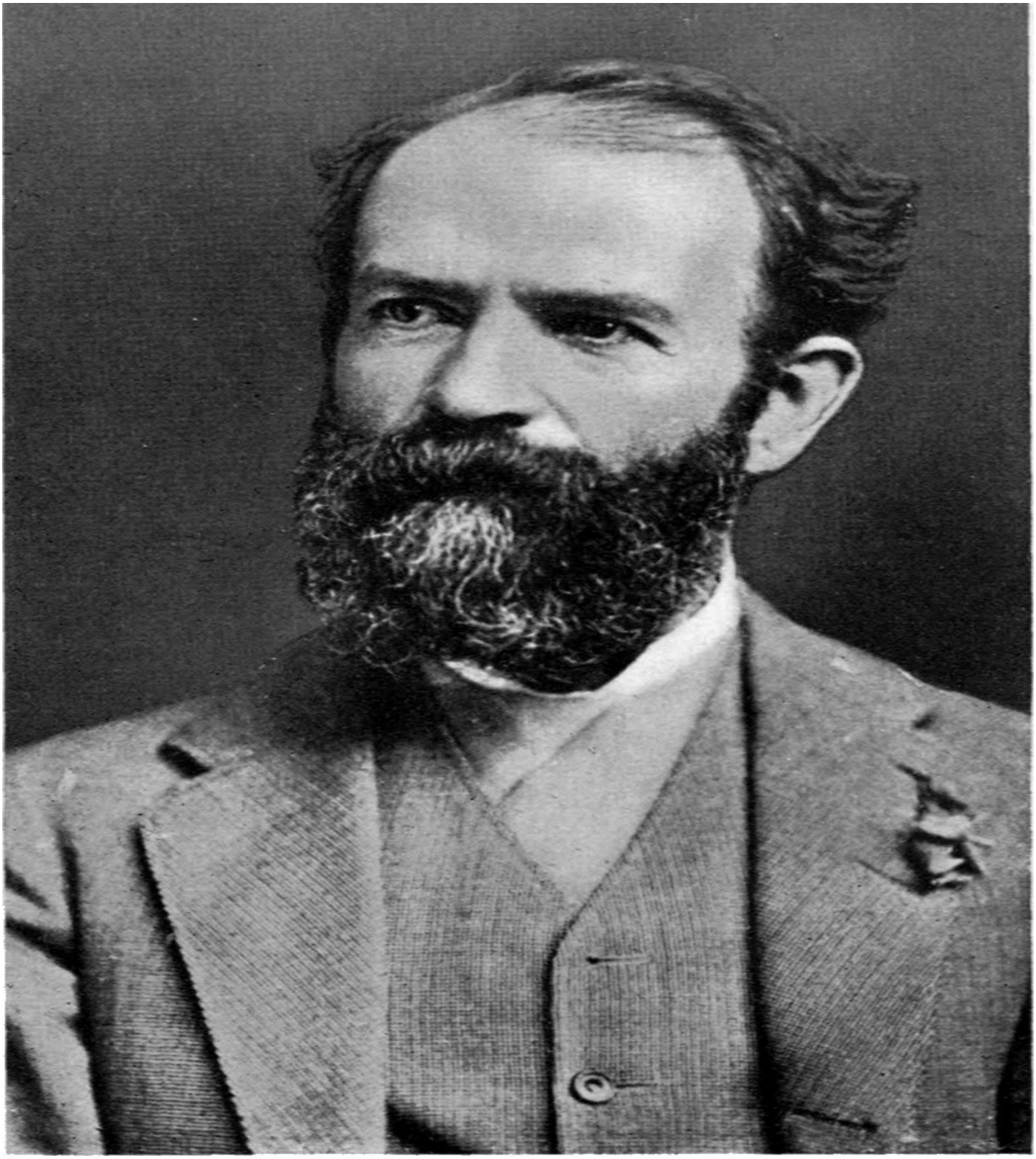
A hundred years hence the people who then occupy our places will look upon us as primitive and crude, or, in accordance with the Darwinian theory, as the monkeys from which their perfected race has been developed. In fact, there is a good deal of Darwinism in our development, in a business sense, if not in a human sense. As the surroundings grow, so does the intellect of the human race, and there is no telling what we may do or what we may become—provided we live long enough. We have plenty of room, plenty of power, plenty of natural ability, and we make our own opportunities; all we lack in this world is time and perfect science, and if time is given us we may be able to show what giants of enterprise a free people may become; that, as the first choice of God's creation, we lack nothing.

We are proud now of our Brooklyn Bridge. But when the Bridge was opened, and the foot passenger rate was made one cent per person, and the car rates three cents, it was a grave question of consideration for the men upon whom devolved the responsibility of the conduct of the Bridge, whether or not the cities would supply passengers enough to make the Bridge self-supporting. It was not expected that they could or would. But to-day, the rate for foot passengers is one-fifth of one cent, and the car passengers are transported for two and one-half cents. The time is not far distant when these rates will be made much less, if not abolished entirely. They certainly will be abolished so far as the promenade is concerned; and, at the rate of one cent per passenger now, the Bridge would earn dividends for each of the two cities which issued bonds for its construction;

while the taxable value of the property in both has been so largely enhanced, that the Bridge has paid for itself already, and, yet it has been open less than five years. More than a year ago the experience of the Directors was that the facilities of this Bridge were perfectly inadequate; and, while everything has been done to increase them and extensions and improvements have been made, the Bridge is still too slow, and its power facilities too limited for the proper accommodation of the people who cross it from city to city.

This is only one evidence of the growth of New York; it is merely an incident. There is another incident, which, in connection with what I have said about the difference in construction of buildings during the past few years, I think I will mention right here. The city of New York donated to the Government the site in the City Hall Park where the New York post-office now stands. It was the original intention that the building should be only three stories in height. The capping was already on, and the roof was in the primitive stages of construction, when, walking down Broadway one morning, as I passed the structure, the thought occurred to me that, for a building of its size and heavy granite exterior, its height was disproportionate, and gave it a dwarfed appearance, and a lack of symmetry. Besides that, whatever space could be added to it by the increase in its height, even though the additional room might be a surplus for the time being, the time would soon come when even more would be needed. I wrote to Architect Mullet, calling his attention to these facts, and insisting that, in confining the building to three stories, he was making a mistake; that it was not in keeping with the magnificence of the structure; that it should have one or more additional stories, with a mansard addition besides, and that the business experience of the past most certainly demonstrated that the room would soon be needed by the Government for the proper conduct of its affairs in this the greatest business center of the country. Within a week Mr. Mullet called to see me, and I convinced him that I was correct in my criticism and predictions. He said, in reply: “But there is no appropriation; the money appropriated is exhausted, and the building cannot be enlarged.” I asked him: “Well, what is necessary to be done in the matter? Suppose I write to Mr. Boutwell, the Secretary of the Treasury, about it, and urge that the building be enlarged as I suggest.” Mr. Mullet approved of the suggestion, and I added: “I will write to several members of Congress to the same effect.” This I did, and it was not long afterward that Mr. Mullet informed me that my efforts in the matter had been successful, and he had received orders to go ahead and make the building four stories in height, with a mansard roof story besides. This additional room was not needed at the time, but it has already become inadequate for the accommodation of the Government postal employees, and a few others who have been granted quarters there. And now there is a proposition under consideration for the construction of an additional Government building in this city which will cover two blocks of ground or more, and in which may be centered the various departments of Government, which are now scattered in a half dozen or more places. Is not this evidence of growth? Is not this

evidence of development which justifies what has been said as to our prospective growth? Yet this is merely incidental to the strides of progress going on; and, if we are walking at this pace, will not our children's children be racing at the different paces suggested by some of the predictions I have made?



Jay Gould

CHAPTER LVIII.

JAY GOULD.

His Birth and Early Education.—Clerk in a Country Store.—He Invents a Mouse Trap.—Becomes a Civil Engineer and Surveys Delaware County.—Writes a Book and Sells It.—Gets a Partnership in a Pennsylvania Tannery and Soon Buys his Partner Out.—He Comes to New York to Sell his Leather, Falls in Love with a Leather Merchant's Daughter and Marries her.—Settles in the Metropolis and Begins to Deal in Railroads.—Buys a Bankrupt Road from his Father-in-law, Reorganizes it and Sells it at a Considerable Profit.—Henceforth he Makes his Money Dealing in Railroads.—His Method of Buying, Reorganizing and Selling Out at a Large Profit.—How he Managed Erie in Connection with Fisk and Drew.—His Operations on Black Friday.—Checkmated by Commodore Vanderbilt and Obliged to Settle.—He Makes Millions out of Wabash and Kansas & Texas.—His Venture in Union Pacific.—His Construction Companies.—Organization of American Union Telegraph, and His Method of Absorbing and Getting Control of Western Union.—The Strike of the Telegraphers and his Great Encounter with the Knights of Labor and Trades Unionists.—Gould's First Yachting Expedition.—An Exceedingly Humorous Story of his Early Experience on the Water.—His Status as a Factor in Railroad Management.—His Acquisition of Baltimore & Ohio Telegraph, &c.

If Fenimore Cooper, Sir Walter Scott, Charles Dickens or Dumas, in the height of the popularity of any of these great writers of fiction, had evolved from his inner consciousness a Jay Gould as the hero of a novel, its readers would have found serious fault with the author for attempting to transcend the rational probability allowed to the latitude of fiction. Few novel readers, in fact, would have patiently submitted to such a strain on their credulity prior to the era in the financial development of this country which produced some of the leading characters which Wall Street has brought to the front, as stern realities of every day life, since my advent in the great arena of speculation.

Among these Jay Gould is conspicuous, and of all the self-made men of Wall Street he had probably the most difficulty in making the first thousand dollars of the amazing pile which he now controls.

Jay Gould was born at Stratton Falls, Delaware county, New York, about the year 1836. He was the son of John B. Gould, a farmer, who kept a grocery store. At the age of sixteen young Gould became a clerk in a variety store belonging to Squire Burnham,

about two miles from the Falls. Here, in his leisure hours, he assiduously improved the little learning he had received at the village school, by applying himself to the study of book-keeping in the evenings.

It was when he was at this store, according to the most reliable accounts, that he manifested his natural aptitude for making sharp and profitable bargains. His employer, the Squire, had his eye on a piece of land in Albany, which he expected to obtain cheap and so make a profit. He whispered his intention to some friend in the store and his young assistant overheard him. When he went to put his design of purchasing the land in execution he found that young Mr. Gould had been there before him, and had secured the title.

About this time there was a firm which had undertaken to survey the county and make office maps of it, and young Gould was employed to assist them. Having mastered the elementary principles of geometry, and being naturally quick and correct at figures, he soon became a fair expert in common land surveying, and made himself exceedingly useful to his employers. But the idea of not only being his own boss but an employer of other people's brains and muscles was one of his ruling propensities, and he used every effort to attain this object. In a short time he bought out the firm, wrote a history of the county to accompany the maps and peddled his book among the residents.

This natural inclination to buy out every concern with which he has been connected has been the ruling passion of his life, and still tenaciously adheres to him. Prior to his negotiations with the firm of surveyors, he had invented a mouse trap in his intervals of leisure in the store, and with the proceeds of this and the bargain in the land, out of which he had outwitted his employer, he was enabled to make himself master of the situation with the surveyors. Shortly after this Gould became interested in a Pennsylvania tannery with Zadoc Pratt, who was the capitalist. Through the advice of Israel Corse, the Commission Merchant of the firm, Col. Pratt proposed to dissolve the partnership. Gould induced Charles M. Leupp & Co. to purchase Pratt's interest for $150,000. The business did not meet the expectations of Leupp, who in a fit of despondency committed suicide. After his death Gould failed to retain possession of the property, which was sold to H. D. H. Snyder, thus terminating Mr. Gould's career as a Pennsylvania tanner.

On his visits to New York Mr. Gould was attracted by the greater advantages which the Empire City afforded for extending his business, and came here to reside. He had ingratiated himself in the favorable esteem of one of the grocery merchants with whom he had done business. The merchant took him to his house to board and Mr. Gould fell in love with his handsome daughter. It was a mutual affair of the heart, like that of his son George and Miss Edith Kingdon, and a speedy marriage was the result. The results of the happy union seem to have been all that could be desired, and the domestic felicity

of Mr. and Mrs. Gould, so far as the public have been able to ascertain, has never suffered the slightest jar or interruption.

The father-in-law owned shares in a railroad which was in a bad financial condition. He employed his new son-in-law to see what he could do to extricate him from a position in which he was likely to become embarrassed, and he wanted to sell his shares. Mr. Gould examined the road, (with the locality of which he had been well acquainted in his boyhood,) saw the favorable possibilities of its future, under good management, and instead of selling his father-in-law's shares to a stranger, he took them at their market value himself, purchased more, finally obtained control of the entire property, and sold it to a rival company at a large profit.

This, I believe, was Mr. Gould's first transaction in railroad matters, and from that day to this his great speculative forte has been buying and selling railroads. It was in that kind of business, and not in the stock market, as is popularly supposed, that he made the great bulk of his enormous fortune.

On his entrance to Wall Street he began business alone. Afterwards he formed a partnership with Henry N. Smith and — Martin, the firm taking the name of Smith, Gould & Martin. Martin is now in a lunatic asylum, and Henry N. Smith, who was the chief cause of the failure of Wm. Heath & Co. for a million dollars, is now a poor pensioner on the bounty of his wife. But Mr. Gould still towers aloft, in the full enjoyment and the continued progress of his speculative prosperity, without being dismayed by any competitor, however powerful, and overcoming all obstacles, no matter how gigantic.

As I have noticed pretty fully some of Mr. Gould's greatest speculative transactions, mostly behind the scenes in the chapter on Black Friday and also in the account of the "Commodore's Corners," it will be unnecessary to repeat them here.

There was one clever transaction in the Black Friday affair that should be put on record to the credit of the able management of that great deal. One prominent individual connected therewith was personally responsible for $4,500,000. This was a pretty heavy load at that time even for him to carry, but it did not weigh very heavily upon him for any appreciable length of time. He adroitly managed to shift it over on to the shoulders of that broad-backed, soulless creature called the Erie Corporation, making it responsible by simply signing himself "T. R.," instead of "J.G.," the large letters representing the ordinary contraction "Tr." for Treasurer. By this simple and ingenious device this shrewd gentleman got rid of the burthensome legacy on the negative side, bequeathed to him by the "Black Friday corner."

There is a story told, with several variations, in regard to a sensational interview between Mr. Gould and Commodore Vanderbilt. The scene is laid in the parlor of the Commodore's house. It was about the time that the latter was making desperate efforts

to get a corner in Erie, and at that particular juncture when, having been defeated in his purpose by the astute policy of the able triumvirate of Erie—Gould, Fisk and Drew—he had applied to the courts as a last resort to get even with them.

They had used the Erie paper mill to the best advantage, in turning out new securities of Erie to supply the Vanderbilt brokers, who vainly imagined that they were getting a corner in the inexhaustible stock. Mr. Vanderbilt was wild when he discovered the ruse and had no remedy but law against the perpetrators of this costly prank. These adroit financiers usually placed the law at defiance, or used it to their own advantage, but this time they were so badly caught in their own net that they had to fly from the State and take refuge at Taylor's Hotel in Jersey City.

It seems that during their temporary exile beyond the State Gould sought a private interview one night with the Commodore, in the hope of bringing about conciliatory measures.

The Commodore conversed freely for some time, but in the midst of his conversation he seemed to be suddenly seized with a fainting spell, and rolled from his seat unto the carpet, where he lay motionless and apparently breathless.

Mr. Gould's first impulse was to go to the door and summon aid, but he found it locked and no key in it. This increased his alarm and he became greatly agitated. He shook the prostrate form of the Commodore, but the latter was limp and motionless. Once there was a heavy sigh and a half suffocated breathing, as if it were the last act of respiration. Immediately afterward the Commodore was still and remained in this condition for nearly half an hour. Doubtless this was one of the most anxious half hours that ever Mr. Gould has experienced.

If I were permitted to indulge in the latitude of the ordinary story teller, I might here draw a harassing picture of Mr. Gould's internal emotions, gloomy prospects in a criminal court and dark forebodings. His prolific brain would naturally be racked to find a plausible explanation in the event of the Commodore's death, which had occurred while they were the sole occupants of the room; and at that time, in the eyes of the public, they were bitter enemies.

I can imagine that, in the height of his anxiety, he would have been ready to make very easy terms with his great rival, on condition of being relieved from his perilous position. It would have been a great opportunity, if such had been possible, for a third party to have come in as a physician, pronouncing it a case of heart disease. No doubt Mr. Gould would have been willing to pay an enormous fee to be relieved of such an oppressive suspicion.

The object of the Commodore's feint was evidently to try the courage and soften the heart of Mr. Gould, who never seemed to suspect that it was a mere hoax. His presence of mind, however, was equal to the occasion, as he bore the ordeal with fortitude until

the practical joker was pleased to assume his normal condition and usual vivacity. If Mr. Gould had been a man of common excitability he might have acted very foolishly under these trying circumstances, and this doubtless would have pleased his tormentor intensely.

The *modus operandi* of Mr. Gould, in the purchase and sale of railroads, has been to buy up two or more bad roads, put them together, give the united roads a new name, call it a good, prosperous line, with immense prospects in the immediate future, get a great number of people to believe all this, then make large issues of bonds and sell them at a good price, for the purpose of further improving and enhancing the value of the property. After these preliminaries had been gone through, if profitable purchasers came along, they could have the road at a price that would amply compensate Mr. Gould for all his labor and acute management. If these purchasers should be unable to run the road profitably and were obliged to go into liquidation after a year or two, as frequently happens, then Mr. Gould or his agents would very likely be found on hand at the sale to take back the road at a greatly reduced price. Mr. Gould would then get a fresh opportunity of showing the superiority of his management. He would be able to demonstrate that the road had left his possession in excellent and progressive condition, but through loose management had been run down. He would then set about the work of reorganization again and go through the same role substantially, with slight variations, as before, realizing a handsome profit on each successive reorganization.

It would take too much time, and swell this volume far beyond the space which I have laid out for it, to go minutely into the history of all Mr. Gould's great enterprises. In fact, it would take a large volume in itself to do justice to the various schemes which have been put under way by him directly and indirectly and carried to a successful issue during his busy life of a quarter of a century in Wall Street. This seems a long time for a man who is still so young, although he is a grandfather, and enjoying the use of his mental faculties more vigorously than ever.

Owing to my own busy life I have only time to sketch the most salient points of Mr. Gould's prosperous career. Some future historian of Wall Street is destined to make a big "spread" upon him, as the newspaper reporter would say. He will have ample material if he only begins his work soon; but whoever undertakes the job should not forget the maxim of that great veteran of literature, old Dr. Samuel Johnson, about material for biography having a general tendency to become scarce, and, in some instances, eventually to vanish. While the reliable material for Mr. Gould's biography may be subject to the common fate of growing less, as time advances, there is no danger of utter oblivion in his case. He has impressed his footprints on the sands of time too firmly for that.

I don't for a moment mean to insinuate the reason for this, which is given by Shakespeare as applicable to similar cases, although some ill-natured and envious

people might use the well-known quotation in this connection:

> "The evil that men do lives after them,
> The good is often interred with their bones."

I have no hesitation in saying that Mr. Gould will leave a large amount of good after him, and, indeed, it seems now as if the Shakespearian adage was to be reversed in his case. The evil that he may have done is likely to be forgotten. He bids fair to outlive most of it, if he only goes on to the end as he has been doing for the past few years. He is now showing a decided disposition to become more of a builder up than a wrecker of values.

Through his great executive ability in railroad management and construction he has been instrumental in making many blades of grass grow where none had grown before, causing the desert to blossom like the rose, assisting thousands who had formerly been poor and almost destitute, pent up either in European hovels or New York tenement houses, to find happy homes in the West and South. He has been a great factor in improving the value of the land, and thus, while he was enriching himself, adding materially to the wealth and prestige of the nation and thereby elevating it in the appreciation of the world at large.

The correspondent of the London *Times* recently sent over here to write up a description of the country, dwells emphatically on this characteristic of Mr. Gould and other great millionaires and railroad magnates, who contribute so largely to the general prosperity of which they seem to be the indispensable mediums.

It was as the managing power in the Erie Railroad that Mr. Gould laid the broad foundation of his fortune. His speculative connections with Erie are more fully dealt with in the lives of Daniel Drew and Commodore Vanderbilt. The money and influence which he gained, in connection with the Erie corporation, enabled him to extend his operations in the acquisition of railroad property until, through Union Pacific and its various connections, Wabash and a number of Southwestern roads, it seemed probable, at one time, that he was in a fair way of grasping the entire control of the trans-continental business in railroad matters. And this was prior to the time when he obtained his present hold on telegraph facilities.

Some of the able schemes in which Mr. Gould has had credit for playing an important part, and sometimes a role that was considered rather reprehensible, were managed, so far as the outside business was concerned, chiefly by one or more of his wicked partners. In one of the most noteworthy of those projects, namely, the attempt to capture the Albany & Susquehanna Railroad, Mr. Gould seldom or never appeared in person before the public. His partner, James Fisk, Jr., was cast in that role and played it with great ability. With the essential aid of those two shining lights of the New York bar,

David Dudley Field and Thomas G. Shearman, the Prince of Erie, (as Jim Fisk was called,) came pretty near snatching possession of 142 miles of a very important railroad, with the control of only 6,500 out of 30,000 shares of the stock, and 3,000 shares of these 6,500 had been illegally obtained, as was eventually decreed by the court.

Mr. Fisk, though the silent member of the Erie firm, had also control of Judge Barnard, of the Supreme Court of the City and County of New York.

The Albany & Susquehanna road would have been a valuable prize for Erie. It runs from the eastern extremity of the New York Central at Albany to a junction with Erie at Binghamton. At that time Erie aspired to be a successful competitor with Central for New England business, and had determined to monopolize the coal trade between that section and Pennsylvania. This connecting link of 142 miles was therefore regarded as a very valuable acquisition by both the large roads. Hence it was worth a desperate effort, and Jim Fisk showed that he had a true appreciation of its value, for he organized a company of New York roughs, placed himself at their head, and being armed with bludgeons and pistols and an injunction from Judge Barnard, obtained from him in New York city—while he was really in Poughkeepsie at the time—went to Albany and took forcible possession of the offices of the railroad. He had the President, Secretary, counsel and receiver of the road arrested and put under $25,000 bonds each. Mr. Fisk went through the farce of an election of Erie candidates for the offices which he had forcibly made vacant in the Albany & Susquehanna, bringing his roughs up to vote as stockholders.

The President of the road, Mr. Joseph H. Ramsey, fought stoutly for his rights and ousted the intruders. He had spent eighteen years building the road, and was naturally attached to it. He also found a Judge to aid him. Justice E. Darwin Smith, of Rochester, eventually rendered a decision in favor of the Ramsey party, with the opinion that "Mr. Fisk's attempt to carry the election by his contingent of 'toughs' was a gross perversion and abuse of the right to vote by proxy, tending to convert corporation meetings into places of disorder, lawlessness and riot." Costs were decreed to the Ramsey directors, and a reference made to ex-Judge Samuel L. Selden, of the Court of Appeals, who fixed the allowance to be paid by the Fisk board to the Ramsey board at $92,000. It is worthy of note that the Fisk board consisted of the unlucky number of thirteen.

The Erie party appealed, but long before the appeal could be heard the Albany & Susquehanna was leased in perpetuity to the Delaware & Hudson Canal Company, against whom the Erie party was not strong enough to go to law. Thus ended the struggle for this great connecting link.

It is worthy of remark that this was one of the few cases in which, where Mr. Gould made up his mind to obtain the control, possession or ownership of property, he did not succeed.

The methods of acquiring the control and the possession of other people's property have been raised to the dignity of a fine art by Mr. Gould. This art has been prosecuted, too, through "legitimate" means. He has had the law at his back every time, and been supported in his marvellous acquisitions by the highest Court authority.

The manner in which he managed to get Western Union into his hands affords a very striking illustration of his methods and the great secret of his success.

When first laying his schemes to obtain the control of the telegraph property he got up a construction company to build a telegraph line. This was a company of exceedingly modest pretensions. It had a capital of only $5,000. It built the lines of the Western Union Telegraph Company, with which Mr. Gould paralleled most of the important lines of Western Union, and cut the rates until the older and larger corporation found that its profits were being reduced towards the vanishing point. Then it was glad to make terms with its competitor; a union of interests was the result, and Mr. Gould obtained control of the united concern.

"Impossible," said Norvin Green, in high dudgeon, when the insidious intentions of Mr. Gould were broached to him a few months before the settlement took place. "It would bankrupt Gould and all his connections to parallel our lines, and to talk of harmony between him and us is the wildest kind of speculation." The genial Doctor was then master of the situation in Western Union, or imagined himself so at that time, and regarded with contempt the efforts of Gould and his colleagues to bring the company to terms. In a few months afterward the Doctor tamely submitted to play second fiddle to the little man whom he had formerly despised.

The arrangement in reference to the cable companies followed the capture of Western Union. The struggle is still pending for the entire monopoly in the cable business, and it now seems only a question of time when the Bennett-Mackay party will have to succumb, leaving Gould in the supreme control of the news of the world. If this should happen he would become an immense power for either good or evil both in speculation and politics. In fact it would be too great a monopoly to be entrusted to the will of one man. Although it might be judiciously managed, as the cup of his ambition would then be surely full, yet the experiment would be extremely hazardous.

The controlling interest in the Elevated Railroads of this city, recently achieved by Mr. Gould through his business and speculative relations with Mr. Cyrus W. Field, are of too recent date to require any special notice or comment here. Suffice it to say, that I fear my friend Mr. Field has not come out at the big end of the horn, although everything has no doubt been in conformity with the most approved business principles and in strict adherence to the most honorable methods of dealing in railroad securities. It is significant, however, that Mr. Field has preserved a prudent reticence on the subject.

Mr. Gould, from my point of view, has been a public benefactor in the bold and successful stand which he has maintained against strikers. Though Western Union lost over half a million dollars by the strike of the telegraphers, which greatly alarmed the stockholders, yet Mr. Gould held out until the strikers were obliged to give in. He pursued the same policy, with a similar result, in the case of the Knights of Labor. During the strike of the latter I explained my views on the subject in a circular to my customers as follows:

> "The Knights of Labor have undertaken to test, upon a large scale, the application of compulsion as a means of enforcing their now enlarged demands. This has necessitated a crisis of a very serious kind. The point to be determined has been, whether capital or labor shall in future determine the terms upon which the invested resources of the nation are to be employed. To the employer, it is a question whether his individual rights as to the control of his property shall be so far overborne, as to not only deprive him of his freedom, but also expose him to interferences seriously impairing the value of his capital. To the employes, it is a question whether, by the force of coercion, they can wrest to their own profit powers and control which, in every civilized community, are secured as the most sacred and inalienable rights of the employer. This issue is so absolutely revolutionary of the normal relations between capital and labor, that it has naturally produced a partial paralysis of business, especially among industries whose operations involve contracts extending into the future. There has been at no time any serious apprehension that such an utterly anarchial movement could succeed, so long as American citizens have a clear perception of their rights and their true interests; but it has been distinctly perceived that this war could not fail to create a divided if not a hostile feeling between the two great classes of society; that it must hold in check, not only a large extent of ordinary business operations but also the undertaking of those new enterprises which contribute to our national progress, and that the commercial markets must be subjected to serious embarrassments. * * * * * From the nature of the case, however, this labor disease must soon end one way or another; and there is not much difficulty in foreseeing what its termination will be. The demands of the Knights and their sympathizers, whether openly expressed or temporarily concealed, are so utterly revolutionary of the inalienable rights of the citizen, and so completely subversive of social order, that the whole community has come to a firm conclusion that these pretensions must be resisted to the last extremity of endurance and authority."

The manner in which Mr. Gould acquired his great control in some of the Western and Southwestern railroads was pretty fully developed in the recent investigation held in this city, Boston and San Francisco by the Pacific Railway Commissioners. Mr. Gould's testimony, as reported in the daily papers of May, 1887, probably contains almost as correct and succinct an account of his pooling arrangements and schemes in connection with certain railroads and his methods of making money out of them as can be obtained anywhere. His testimony, on the whole, was exceedingly affable, comprehensive and precisely to the point, and has not been contradicted in any material points by any of the succeeding witnesses that have yet been examined on this widely interesting subject. Its substance was as follows:

[*From the Herald, May 18, 1887.*]

> A dapper little man in plain pepper and salt (the pepper predominating) business suit entered the Pacific Railway Commissioners' offices yesterday morning and sat down quietly with his not over shiny silk hat on his knee.

The natty gentleman, unobtrusive possessor of the small dark and brilliant eyes, was the man of millions.

He had lots of information for the Commission, and he gave them more of the inside facts of the early consolidation deals of the Union Pacific than they hoped to get.

It had been expected that Mr. Gould would prove a wily witness, hard to corral and liable to shy over the fence at the slightest provocation, but at the very outset his manner was a complete surprise. He told the Commission that he was suffering from neuralgia, and said that he could not speak very loud in consequence. There were times during his examination that his tone was faint, and it was only loud two or three times, when he became very much interested in some explanation. At all times, however, it was well modulated, and now and again had a musical cadence about it that was very pleasing. He first became interested in Pacific roads in 1873. He bought Union Pacific stock in the market, but it went down to fourteen cents on the dollar. He held about 100,000 shares. He had a consultation with Sidney Dillon, and finally made a proposition to fund the floating debt in bonds, of which he took a million dollars' worth at above their par value. In 1874 he became a director and served on the executive committee. He continued in the direction during 1874, 1875 and 1876, and went over the road twice a year. He had no interest in the Fisk suit, but knew it was brought. He had no contingent interest whatever in the suit.

He became interested in the Kansas Pacific in 1878, but thought he knew the road in 1874. He remembered a proposition looking toward a unity of interest between the Denver Pacific and the Colorado Central.

Being examined as to the positions of the roads, and as things did not appear to be very clear, Mr. Gould, putting his hand to his inside pocket, said: "I have a little map here if you are not familiar with the location."

The little map was brought out and all hands gathered around it, while Mr. Gould's index finger went on an excursion over States and Territories in absolute defiance of the Inter-State Commerce Law. He recalled the fact that the plan of consolidation was considered as early as 1875, after Mr. Anderson read some extract from a paper, but he said it was not carried out then. He might even have had a talk with Scott about it on further consideration.

The little road connecting with the Colorado Central was built by him, and was the result partly of the contest between the Union Pacific and the Kansas Pacific. Prior to 1878 he could not recollect having owned any stock or securities of the Kansas Pacific. His interest in the Union Pacific has increased to 200,000 shares, the total issue of stocks being 367,000 shares. He kept books of his transactions. Mr. Morosini kept them a part of the time.

Q. Where are the books? A. I have them.

Q. Where? A. In my possession.

Q. Are they at the service of the Commission? A. If they desire them, with the greatest of pleasure.

This was the first sensation of the day, and the witness smiled blandly as he felt the full force of it.

Up to this time he had answered every question promptly. There appeared to be no hesitation on his part, and, indeed, there was none during the entire day's session. Almost every preceding witness had taken refuge behind "I don't know," or "I cannot remember," or "Really I am not sure," but there was none of this from Gould. And the apparently full and free offer of his books capped the climax.

After this whenever his memory was in any way at fault the witness fell back on the books. In asking him what he had bought certain stocks for he said the books would show.

"Will your books also show who the broker was?"

"Oh, yes; certainly, certainly, certainly."

In the matter of the St. Louis pool he had conversed with a number of persons.

Q. With whom did you converse? A. I presume with all the signers of the agreement.

Q. Will you tell us all about the preliminary measures leading up to this? A. I would have the neuralgia a good deal worse than I have if I undertook to tell you all of the details.

This was the original proposition of consolidation, which was a stock instead of a bond agreement, and it was soon demonstrated that it would not work.

Q. How soon after this was the new arrangement entered into? A. Almost immediately afterward, I think. The object was the funding of a heterogeneous mass of securities into one class of securities.

Q. Did you confer with others? A. I conferred with myself as well as others. What I thought was a fair price for me was a fair price for the others.

Q. To whom did you deliver your bonds? A. I suppose to the committee, but I do not know.

Q. But you would not deliver $2,000,000 to a man in whom you did not have confidence? A. Probably not.

Q. Who kept the accounts? A. I don't know.

Q. You don't remember? A. I don't charge my memory with these things after they are over, but my books will show, and they are at the service of the Commission.

Mr. Gould's manner in saying this was unusually suave and polite, and the lines of his mouth relaxed just enough to suggest a smile.

In speaking a few moments later of the securities bought by Mr. Gould from the "St. Louis parties" he was asked of whom he bought them.

"I cannot tell about that off-hand, but my books will show it."

"Which of the St. Louis people did you confer with?"

"I think they came on here to see me. They were tired out and wanted to sell, and came over to do it."

"Then you bought all the securities first and tried to get some other gentlemen to go in with you afterward?"

"Yes, several gentlemen whom I thought would be of service to the road. There ought to be some books. Somebody must have kept accounts of the transactions. My recollection is that these people came on and told me they wanted to sell. I asked them how much they thought they ought to have and they gave me the price quoted in the agreement."

"I simply said, 'I will take them,' and that was all there was to it. That is my recollection. In 1879 I owned about $4,000,000 worth."

The examination led into the stamped income bonds of the Kansas Pacific, and Mr. Gould was asked as to the condition of the road. He thought it was poor. The road had a large intrinsic value, but it had been badly financed and its securities were way down.

Q. Did you not buy some of your securities abroad? A. I bought two millions of Denver Pacific at seventy-four cents, I think, from some Amsterdam people. I was in London and heard that they wanted to sell. I was afraid to go over, because I had very little time, and thought they would probably take a couple of days to smoke before finding out whether they would sell or not. But I was mistaken. I went over and got to Amsterdam in the morning; washed and had my breakfast. I saw them at eleven, bought them out at twelve, and started back in the afternoon.

When Mr. Gould was asked as to the prices he had paid for the securities with which he had acquired the Kansas Pacific bonds he took out his papers and handed the Commission a series of neatly written reports on these purchases and sales.

He purchased in 1879 St. Jo. and Denver first mortgage bonds, $1,562,886.69, for $603,204.78.

Of these, $617,000 worth he sold to Russell Sage, F. L. Ames, Sidney Dillon, S. H. H. Clark, Ezra H. Baker, F. G. Dexter and Elisha Atkins for $246,800.

On January 24, 1880, he surrendered $956,779.76 in these bonds and scrip in exchange for 9,568 shares of Union Pacific at par.

For St. Jo. and Denver Pacific receivers' certificates to the number of fifty-nine he paid $60,695, and on January 24, 1880, he surrendered them for 590 shares of Union Pacific at par, or $59,000.

Of St. J. and Denver stock during 1879 he acquired 8,819 shares, and sold 3,806 shares to the same persons purchasing the bonds. On January 24 he surrendered the 5,013 shares he had remaining on hand at par for $100,200.

During the same time he bought $784,000 worth of the St. Joseph Bridge bonds for $586,940, of which he sold to Sage and Dillon $150,000 worth for $112,500.

He also bought 4,000 shares of stock for $6,000, making the total cost of $634,000 bonds and 4,000 shares of stock $480,440. Received in exchange for the whole business, 6,340 shares of Union Pacific stock at par, making $634,000.

The gentlemen to whom Gould sold the securities were all directors of the Union Pacific. These gentlemen, the witness thought, retained their bonds until the consolidation, as they were bought with a purpose. "The Denver stock was called trimmings," said Mr. Gould, smiling, "and went with the bonds."

On the consolidation of the company he transferred 27,000 shares of Union Pacific Railroad stock for new stock.

He had transferred his Union Pacific stock at one time to some other parties on account of a peculiar law in Massachusetts, which enables an attachment of stock on a suit, whether there was anything in it or not.

"I found out about that law," said Mr. Gould, "and put the stock in somebody's else's name. You can't tell anything," he continued, sharply, "about any stock list. There are many shares of stock held by brokers for years."

After the consolidation he had begun to distribute his stock among other holders.

"I made up my mind," he said, "it would be better to have four or five stockholders do a little of the walking instead of one."

Q. That idea was very much stimulated by the rise in the stock after the consolidation, was it not? A. Yes, because the stock went up then so much that there wasn't enough to go round.

The witness told the story of the employing of General Dodge and Solon Humphreys to recommend the consolidation. They were fair men, he thought, and would make a fair report.

He had not talked to them after they went West to make their report.

Q. How is that? A. Well, he naively replied, while they were making their examination my interests had changed.

Q. They had changed? A. Yes, I had bought the Missouri Pacific.

Q. Did General Dodge and Mr. Humphreys look into the past history of the road? A. I consider the future of a road more important than its past.

Q. Yes, but what I want— A. The past was no criterion as to the Union Pacific road.

Q. But don't you think that General Dodge and Mr. Humphreys—? A. "All my life," said Mr. Gould, warming up; "all my life I have been dealing in railroads—that is, since I have been of age, and I have always considered their future and not their past."

"That is the way I have made my money," said he. "The very first railroad I ever bought had a most deplorable past, but its future was fair. I paid ten cents on the dollar for its bonds, and finally sold the stock for $1.25. It was the future of the Union Pacific that drew me into it. I went into it to make money."

"You were not in favor of the consolidation at the time it was made?"

"No, my interests had changed."

"Did you try to stop it?"

"Well," said Mr. Gould, slowly, "my opposition to it was known and they were greatly alarmed."

"Who?"

"Ames, Dexter, Atkins and Dillon. They came on from Boston to see me about it. They had heard that I was going to build an extension to the Denver Pacific and connect the Missouri Pacific. They said I was committed to the consolidation and laid right down on me. I offered my check for $1,000,000 to let me out, and I have offered it since.

"I will pay it now," said the witness, with a strong rising inflection of the voice and looking hard at the Union Pacific people in the room.

"I offered them a million, but they would not let me out of the room until I had signed an agreement to carry out the consolidation."

"Where is that paper?"

"I suppose it is in Boston. If I could have carried out my Missouri Pacific plan I would have a property now that would be worth par."

"I don't think you have any reason to complain of your profits in the matter," replied Mr. Anderson, at which Mr. Gould partly closed his eyes to hide their twinkle, and said nothing.

The paper which he signed was an agreement to carry out the consolidation on certain terms. The consolidation was an assured fact after January 15, because the witness held the controlling interest.

"But I have now ceased to be the tower of the Union Pacific," he said.

In asking Mr. Gould about his connection with Lawyer Holmes at the time of the consolidation, Mr. Anderson asked him whether he was sure about a certain conversation.

"Yes," he said, "for I had it impressed on my mind."

"How was that?"

"Well, I remember parting with a lot of stock at ten cents for which I could have got par a few days afterward. Wouldn't that impress the occasion on your memory, Mr. Anderson?"

Everybody laughed at this, and the witness, although he had lost a million or two, laughed as heartily as the loudest.

As far as the Denver Pacific stock was concerned Mr. Gould said it was worth practically nothing unless the consolidation was made. It was the signature of the Union Pacific that made it good.

"Do you consider that the trustees fulfilled their duty in letting this stock out of trust?" he was asked.

"I consider that it was the only thing to do, and I stand on what was done. I am ready to take the responsibility for it that day, or this day, or any other day."

[*From the New York Times, May 19, 1887.*]

Jay Gould gave another day to the Pacific Railway Commission yesterday. His manner was, as usual, cool and collected, and he was apparently full of a patient desire to tell everything he knew. Yet Mr. Gould told very little, although he answered hundreds of questions, some of them puzzling enough to drive a less long-headed financier into a corner. The Denver Pacific stock and the way it got out of the trust were first taken up. Mr. Gould said he thought the course taken was best for everybody. Naturally he wanted the Denver Pacific to go into the consolidation, holding as he did, $1,000,000 of the securities, and being trustee of over $3,000,000 more. At first it was doubtful if the Union Pacific would take it, but it did

for the franchises. “I want to say again,” declared Mr. Gould, “that no director or person connected with the Union Pacific ever made a dollar out of Denver Pacific. I am glad to put a final nail in that coffin.”

His plan at one time was to build a line from Denver to Ogden, via Salt Lake and Loveland Pass. It would have been shorter than the Union Pacific and obtained more local business, for the Union Pacific ran north of the mineral belt and the Southern Pacific south of it. After he obtained the Missouri Pacific he saw what a good thing he had in it, but he was persuaded to give his pledge to go on with the consolidation of the other roads. The Boston folk became agitated within a month after he bought the Missouri Pacific, and got the pledge from him. If the Missouri Pacific had been put through it would have injured the Union Pacific a great deal.

“According to the ethics of Wall Street,” Mr. Gould was asked, do you consider it absolutely within the limits of your duty, while a director of the Union Pacific, to purchase another property and to design an extension of the road which would perhaps ruin the Union Pacific?”

“I don’t think it would have been proper. That’s the reason I let it go.”

“Did you consider your duty to the Government?”

“I had considered it.”

“How would the Government claim have been affected by building a parallel line?”

“It would have been wiped out.”

After the Thurman bill had been sustained by the Supreme Court Mr. Gould had a plan to build a road from Omaha to Ogden, just outside the right of way of the Union Pacific, and give that road back to the Government. It would give others “a chance to walk.” The Government tried to squeeze more out of the turnip than was in it. For $15,000,000 a road could be built where it had cost the Union Pacific $75,000,000.

“You were not devoted to the interests of the Government?”

“I wanted to protect them. Their legislative action hurt their own interests and put those of the stockholders in jeopardy. The Government repudiated their own contracts. Cash was offered to pay the Government the Union Pacific debt. I had the debt reckoned up and offered to pay it. In 1877 or 1878 I made the offer to the Judiciary Committee, of which Mr. Edmunds was Chairman. I made the offer myself. The debt was estimated at $15,000,000 or $17,000,000. But the Government would not concede that interest terminated with the bonds. No action was taken on the proposition.”

Mr. Gould thought he wrote his own resignation as Director of the Union Pacific. He resigned because he ought not to deal with the company while one of its directors. He put it in President Dillon’s office. Mr. Dillon knew what it meant.

“What did it mean?”

“That if the consolidation went through it involved large transactions with Jay Gould, and if I had stayed in it would have complicated things. Before January 10, 1880, no bargain was made to pay par for St. Jo. and Western bonds, nor Kansas Central, nor 239 for Central Branch stock. That came afterward.”

The Colorado Central lease was canceled on account of a State law against consolidating competing lines. Mr. Gould did not know that the Dodge and Humphreys letter was to be presented to the meeting of January 24. He was probably informed of the consolidation on the day it took place. He was also probably present at the first meeting of the new company on January 24. Mr. Gould’s resignation from the Kansas Pacific Board was gone over, and in summarizing his reasons for resigning Mr. Gould said he did not want to be mixed up with trusteeships and directorships. When he was not a Union Pacific director he felt at liberty to take care of himself. There was a chance that the properties might be made hostile to him, and then it would have been improper for him to be a director. He did not know that Russell Sage was to move the acceptance of his resignation.

“At the Kansas Pacific meeting a list of the branch lines obtained from you was read. President Dillon said the company had bought them. What did he mean?”

“Possibly he referred to the directors’ agreement with me.”

“But we can find no record of this in the books. Don’t you think he referred to the agreement with the Boston gentlemen?”

“Very likely, but it had no authority until it was accepted or rejected.”

Mr. Gould was set to explaining some discrepancies between the accounts of his dealings in branch securities, handed in on Tuesday, and the list submitted by Controller Mink. Mr. Mink gave 15,162 shares of St. Jo. and Western stock, and Mr. Gould 8,119. The difference was explained by Mr. Gould’s getting some stock for building the Hastings and Grand Island. He retained control of the $150,000 St. Jo. Bridge bonds he sold Dillon and Sage and turned them over with his own. His $479,000 Kansas Central bonds and 2,521 shares of the stock cost him $431,820.25 at the time he bought the Missouri Pacific. They all went into the consolidation for $479,000. Mr. Gould bought the Central Branch of the Union Pacific from Oliver Ames and President Pomeroy, who came to New York and induced him to go and look at the property.

“I thought it was doing a big business,” said he. “Afterward I learned they had kept the freight back for a week to impress me. So I saw a freight train at every station when I got there. I bought the road anyway.” Its total cost to Mr. Gould was $1,826,500. Over the Central Branch, whose stock was disposed of by Mr. Gould for 239, there was a little stir in the hearing, but the witness tranquilly explained that the road was practically stocked at only $2,500 a mile, and therefore the stock ought to range way above par.

“Has the road earned dividends?” he was asked.

“I don’t think so.”

“Have the aggregate earnings exceeded the fixed and Government charges?”

“I never figured it out. Stock doesn’t always depend upon dividends altogether. I paid 750 for my Missouri Pacific—4,000 shares at that figure. You pay more for rubies than for diamonds and more for diamonds than for glass.”

Then the examination turned to the days just after the consolidation, and the witness was asked if there was any corporate action of the new company before the stock was turned over to him.

“All I know,” he said, “is that the stock of the new company was delivered.”

“Was the new company bound to carry out the Kansas Pacific obligations of this sort?”

“Well, I suppose it assumed the Kansas Pacific obligations.”

“Why were you not paid in Kansas Pacific consols instead of stock?”

“I suppose they preferred stock to bonds. I was clever to them and took stock.”

Another turn carried questions and answers to other differences in the accounts, but the commission got little light. “It’s safe to say the lawyers got the difference,” chuckled Mr. Gould, at the end of the set of questions. He had made large cash advances, at different times, to the Kansas Pacific to meet the floating debt, and very likely these would have to be counted in to explain matters in all cases. There was one point upon which the witness strongly insisted, and that was that all through the negotiations and transactions no class of people nor any particular holders of securities experienced any discrimination in their favor, as compared with the treatment given everybody else.

After the consolidation Mr. Gould said he had few transactions in Union Pacific branch lines. He had an interest in the Denver & South Park, however, a minority interest at first, but subsequently he bought the whole road from Governor Evans. “I’m showing you my whole hand,” he said, cheerfully, at the end

of the catalogue of the branches. Of the Union Pacific's legal expenses he knew of none which were not perfectly legal.

"Who were the road's counsel in Washington?"

"Messrs. Shellabarger & Wilson were the only ones, as far as I knew."

"Have you ever been to Washington on business of the company?"

"Yes. And I paid my own hotel bills."

"Do you recall persons sent to Washington from other places in the interest of the road?"

"Judge Usher and Mr. Poppleton."

"Who represented the Kansas Pacific?"

"Judge Usher. I don't know that they had anybody in Washington."

"How often did you go to Washington for the road?"

"I was there while the Thurman bill was pending. It passed, and I haven't been there since. No, I take that back. I was down before the Labor Committee. I got rather disgusted."

"Do you know whether anything was spent to influence legislation?"

"No, sir. I know of no such expenditure."

"Where could we find records of such transactions?"

"I don't think such transactions exist."

"Do you remember advising, at a meeting, that Mr. Ordway, of Washington, be employed in the interests of the Kansas Pacific?"

"No, sir."

Mr. Anderson read from the minutes of a Kansas Pacific meeting, in 1876, and Mr. Gould remembered that Senator Rollins, a great friend of Mr. Ordway, asked him to write a letter about it. He knew of nothing coming from the letter.

"Do you remember any talk of fighting the Credit Mobilier?"

"I saw some of their stockholders and they said they would turn in their stock to us. Others wouldn't. The Credit stockholders alleged that the Union Pacific owed their company a great deal of money. I succeeded in getting the great bulk of the stock turned over before a judgment was obtained."

"You remember your address to the Union Pacific president and directors."

"I wanted to put myself in a position to bring a suit."

"Who opposed this proposed action of yours?" asked Mr. Anderson, reading from the minutes of a directors' meeting that Mr. Dexter moved "to decline to bring suit, as requested by Mr. Gould."

"I think the directors declined, and I brought the suits individually."

"There is another letter of yours to the directors, requesting them to begin suit against the Credit for a full accounting of all profits, under certain alleged contracts," etc.

"I think that was on a different set of contracts."

Mr. Frederick L. Ames, the first witness called, testified that he was formerly a stockholder in the Union Pacific Railroad, and is a cousin of the Hon. Oliver Ames, Governor of the Commonwealth. He was familiar with the relations of this road and the Kansas Pacific Road prior to 1877. "I personally attended," he said, "to the affairs of the road under the direction of my father, Oliver Ames. The first dividend of the road was paid in 1875 or 1876. I do not remember the rate paid. I was somewhat familiar with the condition of the Kansas Pacific. I did not think the stock of much value in 1877. Mr. Jay Gould

was instrumental in buying up the Kansas Pacific securities in 1876. I understood that he owned a large amount of the funding bonds and unstamped incomes. I never knew what the respective interests of any of the gentlemen interested were. I owned no securities that entered into that pool. I received two certificates for $50,000 each. I have not these in my possession now. They were turned over to somebody. These certificates were probably issued to every member of the pool. I think I paid $100,000 to the Farmers' Loan and Trust Company."

Mr. Anderson—Have you been able to find those certificates, Mr. Mink?

Controller Mink—They are not in our possession, sir.

Mr. Anderson—It is very strange that we cannot get any clue to these certificates.

Continuing, Mr. Ames testified as to the manner in which the business of the pool was conducted, a copy of the consolidated mortgage being introduced in evidence.

"I do not remember," he said, "that I ever contributed the $388,000 funding bonds named in this mortgage. My connection with this pool was limited to the advancement or the $100,000. The pooling rates and mortgage rates were identical. I was a director in the Kansas Pacific Road in 1879. I cannot explain why bonds were issued to persons having claims against the road at a rate which would exaggerate its indebtedness more than $1,000,000. I exchanged my bonds for Kansas Pacific bonds. I do not remember that, in 1880, $2,950,000 of preferred stock was issued to Jay Gould at 75 when the bonds were worth 94. I do not know of any other transaction of the kind. I do not know how the Kansas Pacific Road came to be indebted to Jay Gould for $2,000,000 at this time. All the directors were in favor of the consolidation except Jay Gould. He was unwilling to accede to any such terms as we thought we were entitled to, and seemed very much agitated at the course we had taken. The final consummation was reached at Mr. Gould's house. I do not remember that we would not let Mr. Gould leave the room until he had signed the paper. The paper was signed by all present. The basis of the consolidation was $50,000,000."

When asked how he explained the payment of dividends by the Union Pacific with a condition of affairs which requires a sale of stock for the extinction of a floating debt, Mr. Ames said that the declaration of the dividend was made upon the statement of the net earnings, and the road might very well have earned the dividends several times over and at the same time have been building roads and borrowing money and using its funds for other purposes, in addition to the property, which would not interfere with the right to declare dividends. Mr. Ames also said that the directors of the Union Pacific were largely controlled in signing the agreement read at the forenoon session by the fact that they were cornered by Jay Gould. "I think it has resulted favorably for the Union Pacific," he continued, "and I would not take back the action if I could. I made nothing by the consolidation, as I did not sell my Kansas Pacific stock, but hold it now. Mr. Gould made about $3,500,000."

Judge Dillon cross-examined Mr. Ames, and showed from his evidence that he had no personal ends served by the consolidation. He said that his interest in the Union Pacific is larger now than it was in 1880, and that he is one of the largest stockholders.

JAY GOULD AND HIS SYSTEM.

The following from the New York *Times* of April 27, 1887, contains a graphic account of Mr. Gould's mode of reviewing his system of railroads:

On first thought it seems almost impossible that Jay Gould has only been a railroad magnate of the first class little more than half a decade, yet such is the fact. In 1879 he owned only the nucleus of his present Southwestern system of railroads, and as the rival of the Wabash through considerable territory was the Missouri Pacific, he felt by no means at ease regarding the ultimate fate of his venture. Commodore Garrison owned a controlling interest in Missouri Pacific, which was managed by his brother Oliver. Commodore Garrison did not like Mr. Gould, and would not have objected to make Gould's purchase of Wabash a dear bargain. He probably would have done so had it not been for Oliver Garrison. The latter and Ben W. Lewis, Gould's manager of the Wabash, were close friends, and Garrison, as chief executive of the Missouri Pacific, did nothing to injure Gould's property. But when Mr. Lewis called upon Mr. Gould in New York one day toward the close of 1879, and tendered his resignation on the ground of other interests which claimed his attention, Gould immediately saw breakers ahead, and said so. Lewis suggested that he remove the breakers by buying the control of Missouri Pacific. The suggestion was not allowed to get moldy. Gould called upon Oliver Garrison and offered $1,500,000 for the Garrison interest in the road. Garrison was much surprised, and said it would be necessary to consult with the Commodore. He said, however, that $1,500,000 was at least $500,000 too low. When the Commodore heard of Gould's offer he rubbed his hands, laughed, and put the price at $2,800,000. Gould retorted that he could have bought it on the previous day for $2,000,000. The Commodore explained that the difference between yesterday and to-day was $800,000. Gould said nothing and retired. He made another effort on the following day. The Commodore had been thinking. His thoughts cost Mr. Gould $1,000,000, for his price on the third day of the negotiations was $3,800,000. Mr. Gould did not express his thoughts, but his speech demonstrated that he appreciated the danger and expense of delay. He said, "I'll take it," and he did. Thus from a beginning of less than 1,000 miles he secured control of a system of over 5,000, forming the Missouri Pacific, Iron Mountain, and International and Great Northern and their branches into one compact system. The bargain, in comparison with the present value of the properly, was as close a one as Mr. Gould ever managed to make, and from the day it was closed he has lost no opportunity of extending his railroad properly, which, with lines that are yet on paper, but are almost certain to be built, is soon likely to embrace at least 6,000 miles of rail.

Though the General Manager's office is at St. Louis, and none of the Gould roads—for the Wabash is not considered in the system—run east of the Mississippi, nothing of importance is transacted there without the knowledge and sanction of Mr. Gould. Private wires run from the St. Louis office to the Western Union Building, in which is Mr. Gould's private office, where he spends some hours each day sitting at a desk that never ought to have cost more than $25.

He has traveled many times over every mile of his railroads. There is an immensity of interest in such a trip when made for the first time, or even the second or third, but it has been made so often by Mr. Gould that he has thoroughly absorbed all the pleasure to be obtained from it except that which smacks of dollars and power. His trips occupy about three weeks from the time his special car, the Convoy, leaves St. Louis until it returns to that hot and dusty city of pageants and conventions.

When word is flashed to St. Louis that Mr. Gould is on his way, every official on the system packs his head full of information, and there is unwonted activity from Omaha to Galveston and from Fort Worth to San Antonio. All of the system's executive force was selected either by Mr. Gould or by trusted officials in whom he had implicit faith, and the heads of divisions who work for Jay Gould could not work harder for anybody else, although in some instances their bank accounts do not show it.

Mr. Gould lately was in the Southwest on a tour of inspection. On his trips he is always accompanied by General Superintendent Kerrigan, a New Yorker by birth, a South-westerner by education. Physically they are in marked contrast. The cleanly shaven, fair-complexioned Superintendent would make two of his employer. In manner they are much alike, though Kerrigan has a spice of bluffness that is lacking in the other. He has the composed, unexcitable manner of Gould to perfection, and is never known, no matter how great the provocation may be, to speak except in a low-pitched tone. He is a walking railroad encyclopedia, and has the topographical features of the Southwest—every corner of it—at his fingers' ends. He has been employed on railroads of the system for over thirty years. From his Superintendent Mr. Gould obtains such details as the latter gathers from the Division Superintendents and other officials, but in making a trip Mr. Gould insists upon stopping at every point included in one of Mr. Kerrigan's regular trips of supervision. He is always accompanied by a stenographer, who is also a typewriter, and the Superintendent and the heads of divisions follow the same plan.

Upon arriving at a station at which it has been decided to make an inspection, Mr. Gould asks how long a stop will be made. The answer may be "an hour." Mr. Gould looks at his watch. He then accompanies the Superintendent on a part of his rounds, listens quietly to his talk with the railroad officials of the place, and having heard all he cares to listen to, wanders around by himself while the Superintendent picks up the information which later he will give to his employer. Mr. Gould manifests no impatience until the hour has been exhausted. But if the engineer is not ready to start on the minute, and all hands are not in their places on the car, he begins to fidget, and is restless until a fresh start is made.

He is a strong advocate of method. The day's work is laid out in the morning and almost before the train starts in the morning he has settled how many stops can be made during the day and where the night can be spent. He dines and sleeps on board his car from the start to the finish of a three weeks' trip. At night the Convoy is run to the quietest part of the yard, as the owner objects to more noise than he can avoid at night, though he can apparently stand as much as any one else in daylight. His car is always a curiosity along the line, and people come from far and near to look at it as it stands in the evening in a secluded spot, secure in its loneliness. In some parts of the country through which his roads run he is quite as much of a curiosity in the eyes of the country folk as a circus, and were he to stand on the platform after the manner of James G. Blaine, would attract quite as big a crowd as that gentleman. He is never apparently anxious to achieve notoriety in that way, and is quite as modest in his demeanor while on one of his tours as he is in his office or his Fifth Avenue mansion. In the latter, as a few newspaper reporters know, he is more unassuming and far more polite than a majority of his thousand-dollar employes.

Mr. Gould meets some odd as well as prominent people on his trips and occasionally has a peculiar experience. On his first visit to Galveston, Texas, he discovered that it was on an island. Like a good many others he imagined it was on the mainland. On this occasion a number of citizens had been appointed to do him honor and he had promised to take up his quarters at a hotel. The committee had neglected to secure carriages for the party, and made a desperate effort just before the arrival of his car to repair the omission. This it was unable to do. There was an election at Galveston on that particular day. It was a hot one, both the day and the election, and everything on wheels had been bought up by the contending parties. Twenty dollars was offered for a hack and refused. The committee felt forlorn until Mr. Gould laughed at its dilemma and remarked that he saw no hills that he couldn't climb. This is the only joke charged against Mr. Gould by the people who live on the line of his roads, for the highest point of Galveston is only three feet above the sea level. The inhabitants claim four feet, and denounce as a libel the statement made by people who live inland to the effect that tide water is three feet higher than Galveston.

While skimming along over the International and Great Northern, between Houston and Galveston, Mr. Gould cannot look on either side of him without looking at land owned by A. A. Talmage, manager of the Wabash Railroad. Mr. Talmage owns a tract or ranch—though there are but few cattle on it—of 160,000 acres. For this land Mr. Talmage paid 12½ cents per acre. He would probably refuse to sell it to-day for $6 an acre. If Mr. Talmage owned nothing else besides this ranch he might be considered above want. Mr. Gould owns some land in different parts of the country also, but as a proprietor of the soil he

occupies a much lower grade than Manager Talmage. George Gould probably owns as much land—railroad land grants not considered—in the Southwest as his father, and is always on the lookout for bargains. These are always to be had at the close of a disastrous agricultural or cattle season. Newcomers in Texas are liable to forget that disastrous years only occur occasionally, and that in three favorable seasons the profits will be large enough to stand one bad season in three. They may hear of all this after they sell out, but the old settler is not offering information that can only be bought with experience until it is valuable as a mournful reflection.

The Iron Mountain Railroad has a station called Malvern. It is 44 miles south of Little Rock. As his car pulls into Malvern Mr. Gould sees on a narrow gauge railroad that also has a station there an engine with a diamond-shaped head-light. The narrow gauge road runs from Malvern to Hot Springs. Mr. Gould has no interest in it, but he knows it was built and is owned—every spike in it—by a man who received his first start in life from the same man who placed him on his feet. The Hot Springs railroad is owned by "Diamond Joe" Reynolds, who was started in business many years ago by Zadock Pratt, of the town of Prattsville, Greene county, N. Y., when the young man lived in Sullivan county, right across the line of Delaware county, Penn., where Jay Gould was enabled by Mr. Pratt to tan hides with oak and hemlock bark, not after the fashion of Wall Street. Reynolds and Gould were assisted by Mr. Pratt about the same time. Reynolds is not as wealthy to-day as Mr. Gould, but he owns all the money he wants, and Mr. Gould has often said it did not need fifty millions to secure contentment. "Diamond Joe" Reynolds is a rich man and he spends much of his time between Chicago and Hot Springs. On his first visit to Hot Springs he was compelled to stage it from Malvern. The ride disgusted him as much as the Springs delighted him. He found a man who had obtained a charter for a railroad from Malvern to the Springs and who had no money. The charter and some money changed hands. Reynolds built the railroad and owns it, rolling stock and all. The road is 24 miles long. He made his money in wheat, but not in Sullivan county. After getting a start there he went West and shipped wheat from Wisconsin to Chicago. He shipped it in sacks and marked the sacks with a diamond and inclosed in it the letters "J. O." It was from this circumstance, because the sacks and trade mark became widely known, that he obtained the sobriquet of "Diamond Joe," and not as those who have only heard of him think for a penchant for gems, and Mr. Reynolds is modest as well as rich.

Mr. Gould travels like a rocket while inspecting his roads. In this way he gets a certain amount of exercise, for, as travelers know, a heavy train drawn at the rate of 50 miles an hour will make little fuss in comparison with the antics of a single car tacked to an engine making the same rate. Mr. Gould often travels in the Convoy at a 50-mile gait, and during such a trip he has been known to change seats—from one side of the car to the other—not of his own volition, but without changing countenance. So long as Superintendent Kerrigan keeps his hand off the bell rope Mr. Gould makes no remonstrance, but accepts his shaking without a grumble. He changed engineers on one of his recent trips without knowing it. The engineer had been running slowly, for reasons of his own, in spite of numerous pulls at the bell cord. When, however, he discovered that dinner was under way he pulled the throttle open, and the locomotive darted ahead suddenly as if going through space. The jar cleaned the table like a flash. At the next station the engineer was promoted to a freight train.

A REMINISCENCE OF KANSAS PACIFIC.

There is an interesting piece of information regarding the deal in Kansas Pacific in the testimony of Mr. Artemus H. Holmes, formerly the attorney of that company, showing how the stock made a marvelous leap from two or three dollars to par in seven days. Mr. Holmes testified as follows:

From 1873 to 1877 the market value of all the Kansas Pacific securities was extremely low. The Kansas Pacific stock was $2 to $3 a share and practically valueless. Land grant bonds were worth 10 cents on the dollar, and Denver extension about 40, but ranged from 50 to 70 in 1876 to 1878. The first

mortgage bonds were below par, the company's credit was gone and the stock unmarketable. Sidney Dillon, who was then President of the Kansas Pacific Company, was anxious to have the matter settled as quickly as possible. At the former's suggestion a friendly suit was brought on January 17, 1880, before Judge Donohue, in the Supreme Court, in this city, to settle the ownership of the Denver Pacific stock. The trustees said they could not do anything with the stock that would injure it. On January 20, 1880, Horace M. Ruggles, as referee, heard argument, the case was closed in two days, the decision was made January 23 and the decree signed by Judge Donohue on January 24, giving the stock to the Gould party. Mr. Holmes stated: "All the time this was pending the articles of consolidation were being drawn up, but I did not know anything about it until they were signed on January 24." Referee Ruggles decided that 29,000 snares of Denver Pacific stock free from mortgages should pass to the Kansas Pacific. This was put into the Union Pacific and 29,000 shares of the consolidated company's stock given in exchange, which sold at par. The witness was sharply questioned as to what he knew about Referee Ruggles' report. He was asked if he knew who wrote the report, or had any knowledge as to who did.

Q. In order to prepare the decree which was signed on Jan. 24, you must have had the finding before you, did you not? A. No.

Q. How could you prepare it without knowing what the finding was, for the decree was presented the very next day? A. I must withdraw that answer, and change it to yes.

Gov. Pattison—Do I understand you to say that the stock which was exchanged had risen in a few days from $2 to $3 a share to par. Mr. Holmes said that was a fact, and then this question was put to him:

Q. In other words, Mr. Dillon had sworn on Jan. 17, 1880, that the stock had no financial value, and yet on Jan. 24 it was worth par. A. Yes.

This discloses another of Mr. Gould's valuable secrets of the way to make money rapidly.

GOULD'S FIRST YACHTING EXPERIENCE.

There is a humorous story told of Mr. Gould's first yachting experience, which was recently published in the Philadelphia *Press*, and its veracity vouched for by a living witness to the event. It is characteristic of Mr. Gould in some special respects, and runs as follows:

At the residence of a club man, whose reputation as a *raconteur* is nearly as great as that of his Burgundy, I noticed a pretty model of a jib and mainsail yacht. Replying to my admiring inquiry the club man explained:

"That is the model of a boat upon which were passed some of the sunniest hours of my life. She was owned by one of the Cruger family, of Cruger-on-the-Hudson, and has an added interest from the fact that upon her Jay Gould acquired his first yachting experience, and so eventful a one that I'll bet he remembers it to this day.

"Crugers—one of the oldest and best known families in the State, intermarried as they are with other Knickerbockers like the Schuylers, Livingstons and Van Rensselaers—owned all the land in the neighborhood of the station subsequently named after them. A portion of this property consisted of a brick yard, which was rented to the son of old Schuyler Livingston. It was in 1853 or 1854, and Jay Gould had just failed in the tannery business in Pennsylvania.

"Young Livingston's leased brick yard wasn't paying, and he concluded that it needed a shrewd business man at its head. He advertised for a partner, and one day there appeared in response a small, dark gentleman, looking scrupulously neat in his black broadcloth. He gave his name as Jay Gould.

Pending negotiations, Mr. Gould became the guest of the Crugers at the old mansion on the hill. Every effort was put forth to entertain him during his stay, the more as he seemed to regard favorably a partnership with their young friend.

"One day Mr. Cruger invited Gould to a sail to Newburgh, and got ready his yacht, of which that model is the reduction. Several of us youngsters were taken along to help work the boat. Eugene Cruger, a nephew of the yacht's owner, was one of us. Peekskill was reached and the whole party went up to the hotel.

"All the way up the river we had noticed that Mr. Gould was uneasy, shifting about constantly on the deck, where he sat, and squirming and twisting as if seeking to find a softer spot. Nothing was said about it, of course, but when we landed Mr. Gould himself furnished the explanation. From the heat of the sun the yellow paint on the boat's deck had become baked and chalky, and it was not long before the little man discovered that the dry powder was coming off on his trousers. Hence his uneasiness. He concluded by saying he was afraid his broadcloth nether garments would be, if they were not already, ruined, and was determined to abandon the trip and return by rail. This Mr. Cruger would not hear of, and promised to obviate the difficulty. We all adjourned to a general store and Cruger bought, for two shillings and a half, a pair of jean overalls. These Mr. Gould put on when we went aboard the boat and expressed his unqualified satisfaction at the result.

"On our trip back from Newburgh we again called at Peekskill, and once more the party started for the hotel. This time Mr. Gould declined the invitation to take something and preferred to remain on board. About an hour was spent in the hotel, when suddenly Mr. Cruger remembered that he wanted some white lead, and young Eugene Cruger and I went with him to the store to carry it down to the boat.

"'How'd the overalls work, Mr. Cruger?' was the salutation of the storekeeper. Then before answer could be returned, he added admiringly: 'That friend o' yourn is purty shrewd.'

"'Who, Mr. Gould? Yes, he appears to be a thorough business man.'

"'Well, I sh'd say so! He can drive a mighty sharp bargain.'

"'Drive a sharp bargain?' repeated Cruger, all at sea. 'What do you mean?'

"'Why, don't you know he was in here 'bout three quarters of an hour ago, and sold me back the overalls you bought for him.'

"'Thunder, no!' roared Cruger in astonishment.

"'Well, sir, he jest did that. He kem in here, tole me he'd no fu'ther use for 'em, that they was as good as when I sold 'em, an' after we'd haggled awhile he 'greed ter take two shillin' fur 'em, which I paid him. Here's the overalls.'

"I can shut my eyes now," went on the jolly club man, with a hearty laugh, suiting the action to the words, "and call up Mr. Cruger's face with its mingled expression of amazement and incredulity. He left the store in silence. Not until we had nearly reached the boat did he speak. Then he only said, 'Boys, I'll fix him for that?' We reached home without any reference to the incident. On the way back Mr. Gould sat upon his pocket-handkerchief.

"The same night Mr. Cruger perfected his plan. Next day Mr. Cruger proposed a fishing party. Mr. Gould declined to go. He had concluded, he said, not to take an interest in young Livingston's brickyard, and would return to the city on the afternoon train. A business engagement, involving quite a sum of money, had to be kept. His host argued with him, but for a time to no purpose. The saturnine little man had a tremendous amount of determination in his composition. Finally a compromise was effected, it being agreed that he should put Gould off at a station in time to catch the train. That he must catch it without fail, he most emphatically declared.

"The day passed on and we were off Sing Sing, when we saw the smoke of the coming train. We had been running free before the wind, but immediately Mr. Cruger, who was at the stick, shoved it down; we hauled in on the sheets and headed for the Eastern shore. Mr. Gould was by this time on his feet, clinging

to the windward coaming, the deepest anxiety pictured on his face. Just there the water shoals rapidly. We were within fifty feet of the shore, opposite the railroad depot. The time had now come for Mr. Cruger's revenge.

"'Let go the main and jib sheets!' he shouted. 'Down with your board!'

"Never was order more eagerly obeyed. The sheets whizzed through the blocks, ready hands slipped out the pin and jammed down the centre-board, and in a second the yacht, with a grating shock and shaking sails, came to a stand, fast on the sandy bottom. There she was bound to stay until the obstructing board was lifted again.

"'What's the matter?' exclaimed Mr. Gould, anxiously. Of course he had not detected the ruse, for he knew no more about the working of a yacht than a sea cow does about differential calculus."

"'I'm afraid we're aground,' replied Mr. Cruger, with a fine assumption of sadness. 'Boys, get out the sweeps and push her off.'

"We struggled with the long oars in a great show of ardor, while Gould watched us in breathless suspense, between hope and fear. But as we had taken care to put the sweeps overboard astern, the harder we shoved the faster we stuck. The little man's suspicions were not in the slightest degree aroused and he turned in despair to Mr. Cruger.

"'What shall I do!' he almost wailed. 'I've got to catch that train!'

"'Then,' replied the joker, solemnly, 'you'll have to wade or swim.'

"Already the train was in sight, two miles away, and whatever was to be done had to be done quickly. As I have said, there was plenty of grit in the embryo railroad king, and quick as a wink he was out of his sable clothes and standing before us clad only in his aggressively scarlet undergarments. Holding his precious broadcloth suit above his head, he stepped into the water, which, shallow as it was, reached to the armpits of the little gentleman. Then he started for the shore, his short, thin legs working back and forth in a most comical fashion as he strove to quicken his pace. The station platform was crowded with people, and very soon the strange figure approaching them was descried. A peal of laughter from 500 throats rolled over the water to us, the ladies hiding their blushes behind parasols and fans. The men shouted with laughter. Finally the wader reached the base of the stone wall, and for a moment covered with confusion—and but little else—stood upon the rock, one scarlet leg uplifted, looking for all the world like a flamingo on the shore of a Florida bayou, while the air was split with shrieks of laughter, in which we now unreservedly joined. Then came the climax of the joke, which nearly paralyzed the unfortunate victim.

'Haul on your sheets, boys, and up with the board!' was Cruger's order. As the yacht gathered headway and swept by within ten feet of the astonished Mr. Gould, we laughingly bade him good-bye, advising a warm mustard bath when he got home.

"Then his quick mind took in the full force of the practical joke we had worked upon him and his dark face was a study for a painter. But the train had already reached the station, taken on its passengers and the wheels were beginning to turn again for its run to the city. As Gould scrambled up the wall, his glossy black suit still pressed affectionately to his bosom, the 'All aboard!' had sounded and the cars were moving. Every window was filled with laughing faces as he raced over the sand and stones and was dragged by two brakemen on to the rear platform, panting and dripping. The last glimpse we caught of him was as the train entered the prison tunnel. Then, supported on either side by the railroad men, he was making frantic plunges in his efforts to thrust his streaming legs into his trousers as the platform reeled and rocked beneath him."

"Did he ever return Mr. Cruger the two shillings?" the writer inquired.

"Return the two shillings!" echoed the club man. For a moment he was silent. Then, as a retrospective gleam crept into his eyes, he slowly shook his head and, with seeming irrelevancy, said:

"I—guess—you—are—not—very—well—acquainted—with—Mr.—Jay—Gould."

The above story was submitted to Mr. Eugene Cruger at his residence, No. 1211 Livingston Avenue, together with the inquiry as to its accuracy. Mr. Cruger made the following reply: "I must say that I can't imagine who can have furnished these particulars, for most of those who took part in the incidents related have gone forever. Whoever the informant may be, however, it cannot be denied that you have received a true account of what occurred. I enjoyed the affair at that period, but time has softened things and the recollection is not without its unpleasant side."

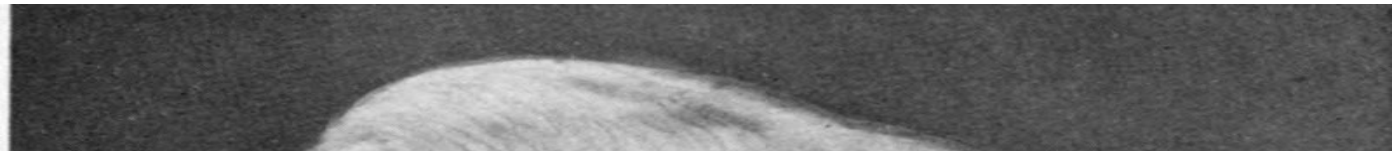
The success of Mr. Gould in securing the Baltimore and Ohio Telegraph to be consolidated with Western Union, has placed him at the head of the greatest telegraph monopoly in the world, practically beyond competition. It remains to be seen whether or not Congress will take any action towards the creation of a Government telegraph that will afford a guarantee of protection against extortionate rates. It is true that Western Union has lowered its rates, but this is generally regarded as a conciliatory move of a temporary character on the part of Mr. Gould for the purpose of showing that Government telegraphy is not a necessity, and that as soon as the attention of Congress is turned away from the question rates will go up again.

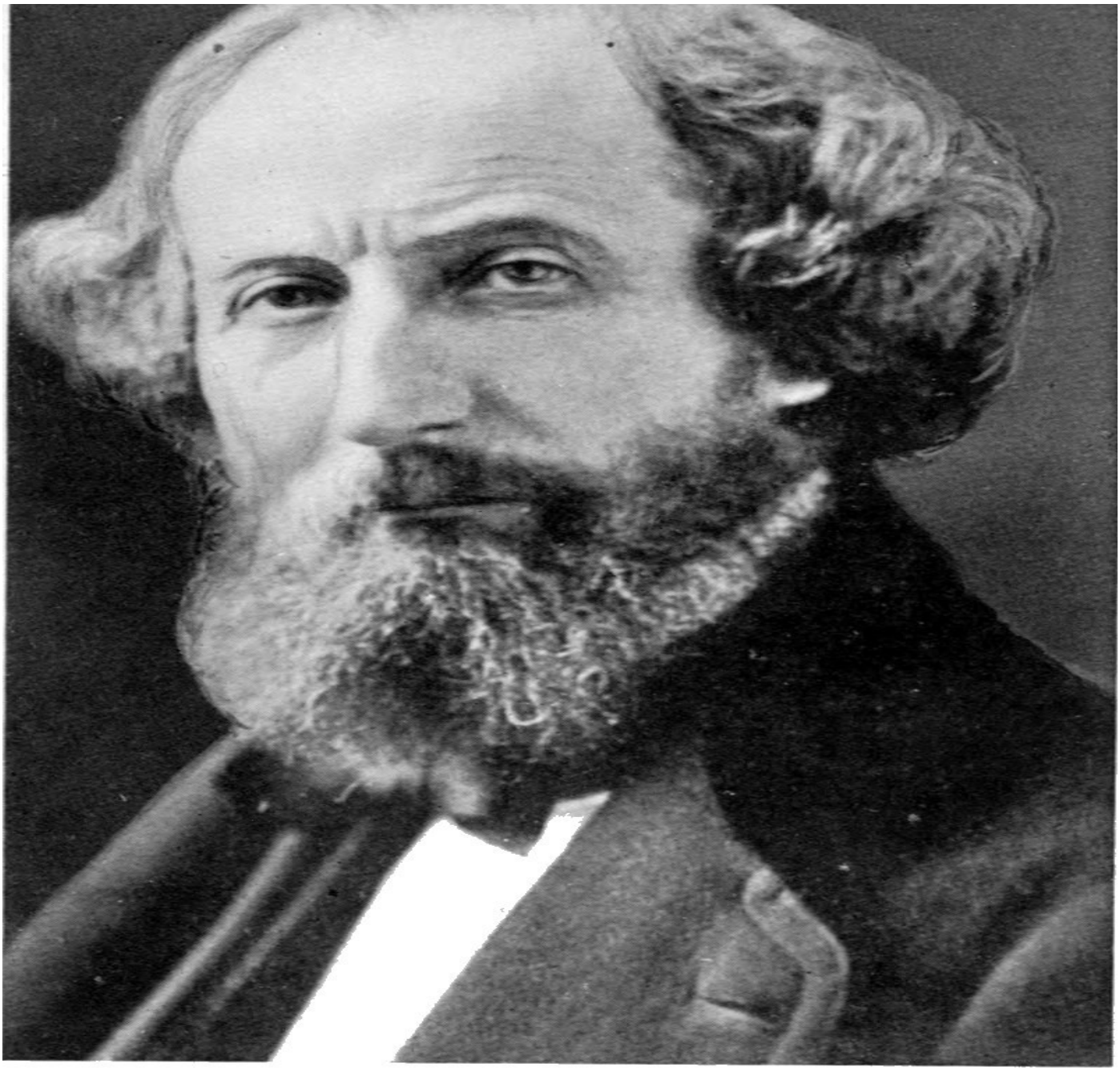
While I should not approve of the Government going so far as to condemn Western Union property, and making a purchase thereof on an appraised valuation, still I do believe that proper Congressional action should be taken to provide supervision and protective control over the telegraphic communication throughout the country. My idea is that the Government should interfere rather as a regulator than an owner, being careful to avoid everything that could be construed into monopoly on its own part, any more than in connection with our railroad system.

Mr. Gould went to Europe late in the fall, and visited several places there ostensibly for health, pleasure, and recreation. What his secret and ultimate designs may be has not yet transpired, although they have been a leading topic of much conjecture among financiers and Wall Street magnates since his arrival on the other side. One of the best things got off on this subject was, that when Mr. Gould sent in his card to one of the Rothschilds, the latter requested the messenger to inform the gentleman that Europe was not for sale.

He returned about the end of March to find some of his railroads, especially in Missouri Pacific system, in a somewhat crippled condition.

With a feeling of deep humility that I have made many important omissions in Mr. Gould's variegated career, although I have surrendered all the space to him that I can very well afford, I now beg to take my leave of him, at least so far as the present edition is concerned.





Cyrus W. Field.

CHAPTER LIX.

MEN OF MARK.

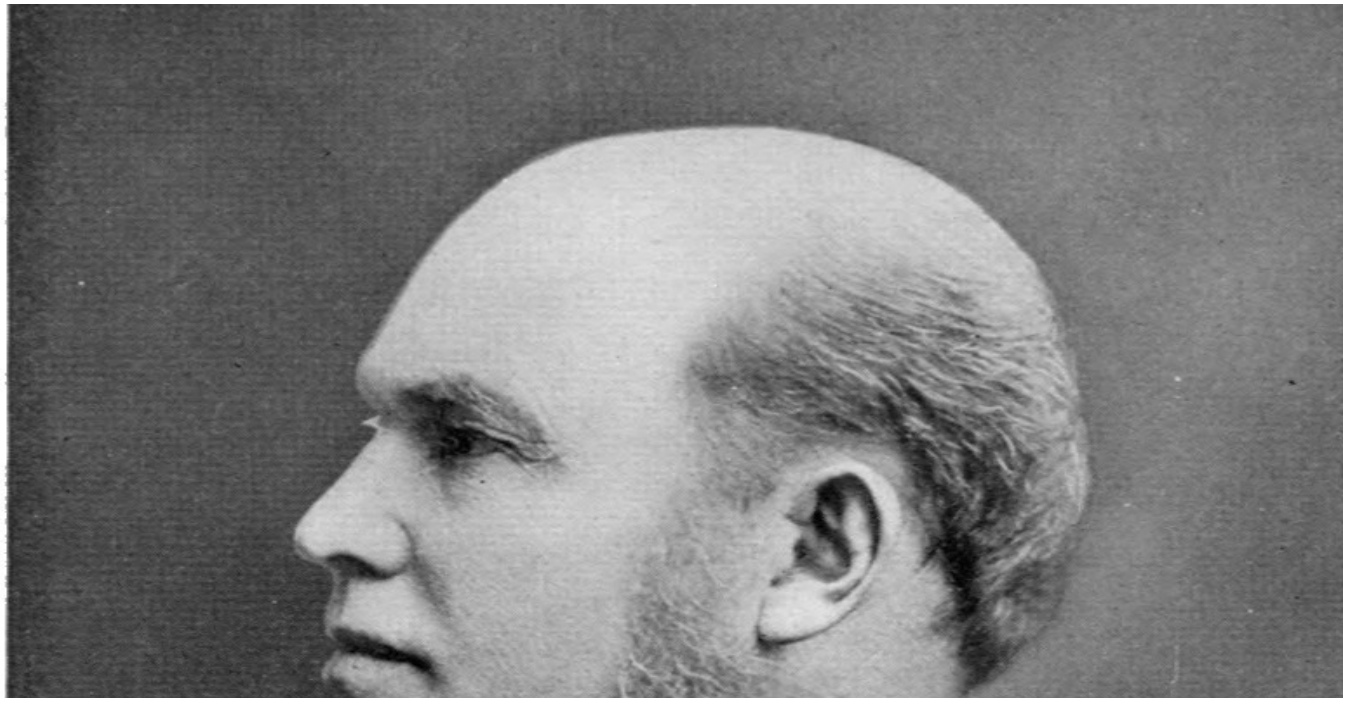
Cyrus W. Field—Hon. Stephen V. White—Austin Corbin—Philip D. Armour—Hon. Levi P. Morton—John A. Stewart—Anthony J. Drexel—The Jerome Brothers—Addison Cammack—Russell Sage—Chauncey M. Depew—James M. Brown—Stedman the poet—Victor H. Newcombe—Moses Taylor—Former Giants of the Street—Henry Keep—Anthony W. Morse.

Cyrus W. Field.

Cyrus W. Field has been termed a locomotive in trousers. The simile illustrates the indefatigable energy of the man. His indomitable resolution and his energy of character have placed him high among the distinguished men of the age. He was born at Stockbridge, Mass., in 1819. His father was a clergyman. At fifteen years of age, Cyrus W. Field came to New York with a trifling sum in his pocket. For three years he was in the employ of A. T. Stewart, the dry goods merchant, and then went to Lee, Mass., to work in his brother's paper mill. Two years later he became a partner in the paper firm of E. Root & Co., in Maiden Lane, but the co-partnership was not successful. Later on he again went into the paper business, and by 1853 had acquired a competence, whereupon he partially withdrew from mercantile pursuits, and his health having failed he took a trip to South America. He was about to withdraw entirely from business, when he was induced, with considerable difficulty, to look into a project for laying a telegraphic cable to England. Frederick N. Gisbourne had interested Matthew D. Field, a civil engineer, and a brother of Cyrus W. Field, in a project for establishing a telegraph line between New York and St. John's, Newfoundland, partly on poles, partly under ground, and partly under water. At St. John's, the fastest steamers ever built were to sail for Ireland, and the time between the two countries was to be shortened to six days or less. A company had attempted to carry out this project, and had become bankrupt. The idea was un-American; it was unsatisfactory; much quicker communication was needed. It was not till Mr. Field conceived the idea of laying a cable direct from Newfoundland to Ireland, that he became really interested in the enterprise. He was assured by high scientific authority that the idea could be carried out. In March, 1854, Mr. Field went to St. John's, Newfoundland, and obtained from the legislature a charter, granting an exclusive right for fifty years, to establish a telegraph line from the Continent of America to Newfoundland and thence to Europe. Then, with considerable difficulty, he obtained in New York subscriptions amounting to $1,500,000, which he thought would be sufficient. The line really cost $1,834,500, being more than 2,600 miles long. His first attempt failed in 1857. He succeeded in the following year, and then the cable became silent, and the incredulous public thought that this would end all attempts to do something that seemed miraculous. For seven years no attempt was made to lay a cable, as the Civil War intervened, but in 1865 Mr. Field again took up the enterprise, in which he had never lost faith. By this time sub-marine telegraphy had been greatly improved, a better cable was constructed, and a better machine for laying it was invented. The famous steamer *Great Eastern* took the cable, but after going some 1,200 miles, the great vessel gave a lurch that broke the cable and an attempt to grapple it was unsuccessful. In 1866, however, a cable was successfully

laid. A private citizen seldom receives such honors as was showered on Mr. Field, in 1866, when Europe and America realized that largely through the exertions of one man, they were joined by the Atlantic cable. He had pushed a vast project to a successful consummation in spite of incredulity, ridicule, indifference and strenuous opposition.

Peter the Hermit did not preach the crusade with more fervor and enthusiasm than this priest of commerce, so to speak, advocated the great work with which history will always link his name. If any one had, a few centuries ago, ventured to predict that the day would come when there would be six or seven cable telegraphs stretched along the ocean bed between America and Europe—along dim prehistoric valleys, four miles under water and over great sub-marine mountains—by means of which a message could be sent nearly three thousand miles and an answer received in thirty seconds; he would have been in danger of incarceration as a lunatic, or even of death on the scaffold or at the stake. This daring utilitarian age, however, has grown accustomed to startling exhibitions of human ingenuity. Mr. Field owns considerable Western Union stock, and is interested in a number of railroads, including the Manhattan Elevated. He owns one-fifth of the stock of the Acadia Coal Co., is a special partner in the grain firm of Field, Lindley & Co., and owns the *Mail and Express*, one of the great papers of the metropolis. He has a house in Gramercy Park and a fine mansion at Irvington on an estate of about 500 acres. He is a large owner of real estate in that very pleasant section, owning some 56 houses besides considerable land. He is fully six feet in height, of light complexion, with penetrating, bluish-gray eyes, which peer sharply into those of an interlocutor. The nose is prominent, the brows knit with years of thought, the mouth and jaw indicate great decision of character. He is a man of courtly manners and exceptional abilities.



Philip D Armour

Philip D Armour

Hon. Stephen V. White.

Hon. Stephen V. White is a short, compactly built, dark-complexioned man of 54. In manners he is courteous and unassuming; in business methods he is quick and straightforward. He is a Director in the Western Union and the Lackawanna road. He is a bold, dashing operator in stocks, and in Wall Street has met with considerable success. One of his greatest favorites is Lackawanna. He expects to see it some day go to 200. He has several times badly squeezed the shorts in that stock, and, now that he has practically demonstrated what they ought to have known before, namely, that the stock can easily be cornered, the bears are apt to fight shy of it. He has a large *clientele*, and, being a natural leader, he has plenty of followers in his speculative campaigns. He was born in North Carolina. He was graduated from Knox College at Galesburg, Illinois. He studied law in the office of the Hon. John J. Kasson, afterward United States Minister to Germany. He drifted to St. Louis, and there became a reporter for the Missouri *Democrat*. He went to Des Moines, practised law for nine years, and was elected a Judge. He came to New York, and for a time practised law, but soon became a stock broker as well. He still occasionally appears as counsel in the Federal Courts, and sometimes in the Supreme Court of the United States. He is a ready and forcible speaker, full of vim and fire. He was a warm personal friend of the late Henry Ward Beecher, the grand old Chrysostom of the nineteenth century, who has left the world brighter for his memory and darker for his absence. In the frank, keen, practical financier and lawyer, and the great, warm hearted preacher, glowing with fervid idealism and generous enthusiasm and high aspirations for the human race, there were kindred qualities that made them friends. Mr. White, in 1886, was elected to Congress from Brooklyn, where he resides. He is scholarly in his tastes, well versed in the classics, and is especially fond of astronomy, for the study of which he has a fine observatory in his palatial home. He is popular in Wall Street.

L. P. Morton

L. P. Morton

Austin Corbin.

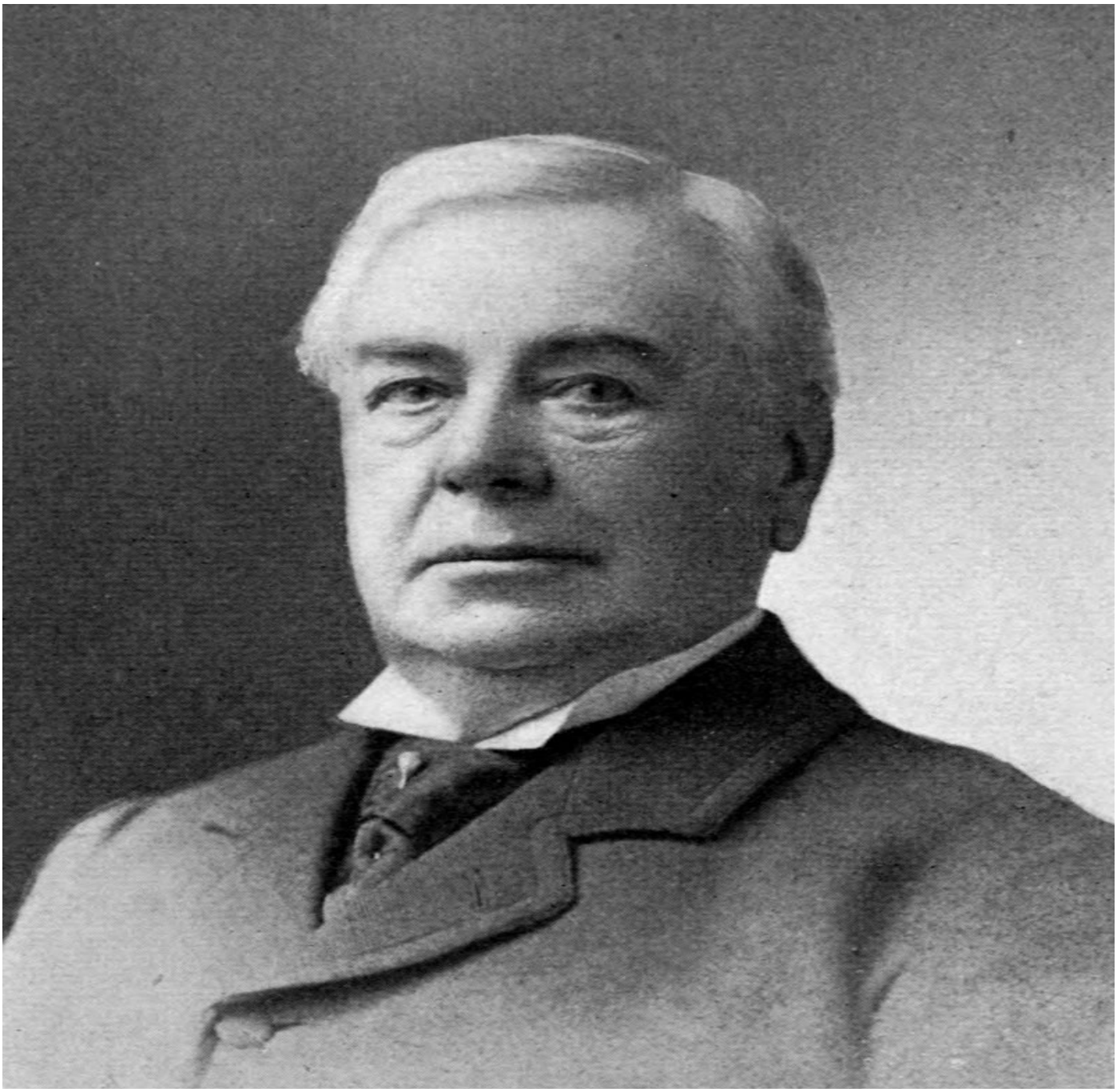
Within a year Austin Corbin has become a prominent figure in the financial world, winning wide business celebrity by his identification with the reorganization of the Reading Railroad. He is by nature the reverse of an iconoclast, namely, a builder up. He would construct rather than destroy. He would save a property if it were at all possible, and in pulling that poor, tired, financial pilgrim Reading out of the slough of despond, and in directing its way toward a primrose path of prosperity, he is engaged in a congenial task. He is about 58 years of age, and was born in Newport, New Hampshire. He studied law, and was graduated from the Harvard Law School. For a time he practised law in his native town as a partner of Ex-Governor Metcalf, of New Hampshire, but in 1851 he went to Davenport, Iowa. There he really organized the first national bank under the new system, which was to prove of such incalculable financial benefit to the nation. Mr. Corbin made the first application under the new law, but it happened to be faulty in some minor technicalities, and before their trivialities could be corrected four other national banks were organized, so that his bank became number five under the new system. He came to New York in 1865, and established a banking-house here. He is President of the Reading, Long Island, Indiana, Bloomington & Western, Elmira, Cortland & Northern, and Manhattan Beach Railroads. He is a member of the Union League, Manhattan and Saturday Night Clubs of New York, the Somerset Club of Boston, and the Conservative Club of London. He is a man of strict probity, genial in his manners, and deservedly held in high esteem.

PHILIP D. ARMOUR.

Philip D. Armour was born in a little village near Watertown in the interior of New York State, in 1832. He is powerfully built, with broad shoulders, a large head and firm, square features and light gray eyes, that never seem excited or disturbed. His manners are quiet, composed and courteous. In 1849, leaving his native village, he went to California. He crossed the plains with a six-mule team which he drove himself. He worked for a few years in the gold fields, accumulated a little capital, and in 1855 went to Milwaukee and engaged in the grain and warehouse business. He prospered moderately but steadily. Then he thought of going into the lumber business, but bought an interest in the pork packing establishment of Layton & Plankington, the former retiring. At this time he was worth half a million. He soon increased this three-fold. In the war, provisions were very high, but when Gen. Grant was closing in on the Confederacy for the final struggle that could only end in the triumph of the North, Mr. Armour saw that prices must come down with the Confederacy. He came at once to New York and began to sell pork short. He began to sell at $40 a barrel. He covered at $18 and netted, it is said, nearly two million dollars. He now enlarged his business, established new packing houses in Chicago and Kansas City as well as agencies all over the world. He has sold sixty million dollars' worth of food products in a year. He has five thousand names on his pay roll. He has cornered pork three times within recent years, and in 1880 made, it is said, three millions in punishing bears who tried to sell the market down. A campaign against the bears in pork or meats he calls protecting his cellars. Those cellars are well protected. No bearish Ali Baba has the pass-word to go in and plunder them, and the number of cinnamons and grizzlies, big and little, who have licked their paws in rueful remembrance of the attempt are not a few. He has made millions in successful grain speculations. He invested four millions in St. Paul stock, buying it outright. He is now one of the recognized financial leaders of the country, as aggressive as a Wellington at the proper time and cautious as a Fabius when caution is the watchword of wisdom. He lives in a plain house on Prairie Avenue in Chicago, and is himself a man devoid of ostentation. He works from 7 A. M. till 6 P. M. His fortune is estimated at fifteen millions of dollars.

Hon. Levi P. Morton received his business training in the dry goods trade. Then he became a banker. He has a national reputation as a financier. He is shrewd, genial and successful. President Garfield made him Minister to France. He had previously done good service as a member of Congress. He is now in his sixty-third year. He is a lineal descendant of George Morton, one of the Pilgrim Fathers who came to this country in 1623. Mr. Morton was born in the State of New Hampshire. At 20 he became a clerk in

a country store. He had to shift for himself. Necessity is the stimulus that men of real ability require. He stayed five years in the obscure New Hampshire village and then went to Boston, where he ultimately engaged in business. But New York attracted him. He embarked in the dry goods business here and went into banking afterwards, and soon laid the broad foundations for the successful firms of Morton, Bliss & Co., of New York, and Morton, Rose & Co., of London. His Congressional and diplomatic laurels followed. He filled the French Mission with great satisfaction to the French people as well as those of the American traveling public, as he was a free and generous entertainer. His large fortune has been amassed since he came to Wall Street. He has a fine villa at Newport and also one on the Hudson.



John A Stewart

JOHN A. STEWART.

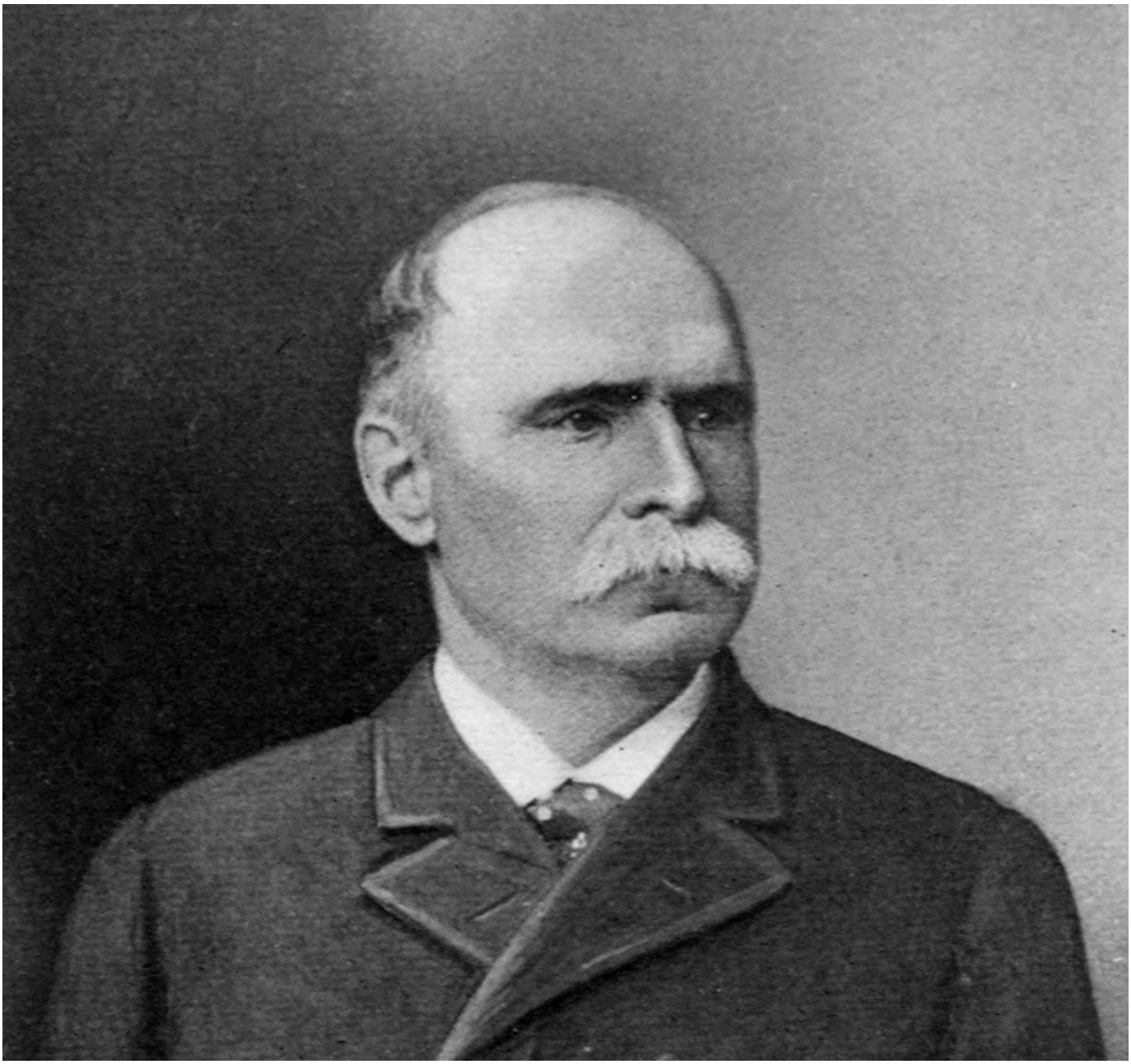
John A. Stewart is President of the United States Trust Company, one of the largest banking and trust corporations in America. Its deposits are over forty millions of dollars. Its great success is largely due to the able management of President Stewart, who has in fact shown marvellous ability in the management of large financial interests. Mr. Stewart during the war period was urged by Secretary Chase to became Sub-Treasurer of the United States in this city, and he finally consented to take the position, although at a great personal sacrifice, being actuated solely by a patriotic spirit. He is one of the financial lights of the metropolis, and is respected for his financial acumen and his sterling qualities as a man.

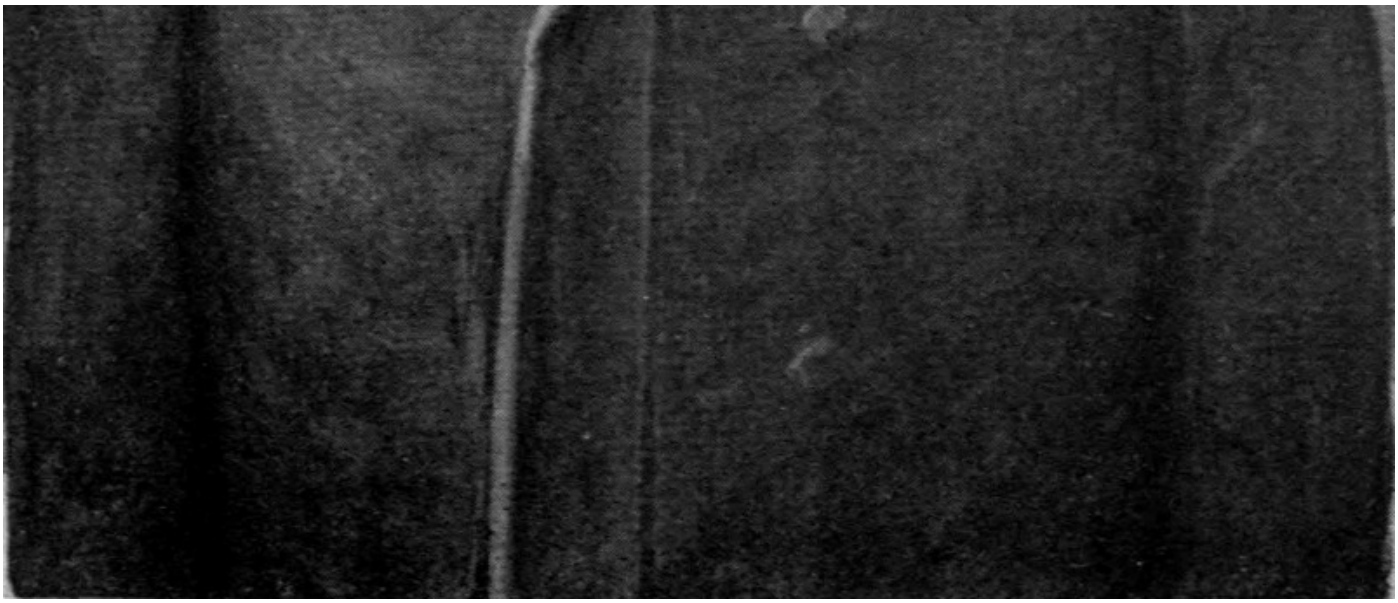
Anthony J. Drexel.

Anthony J. Drexel is the head of the house of Drexel & Co. in Philadelphia and Drexel, Morgan & Co. in New York. The house was founded by Joseph Drexel, who emigrated to this country from Germany early in the present century, and began business in Philadelphia in a small way as a sort of exchange broker. When the California gold fever broke out he made connections with parties in San Francisco and received large amounts of gold. In these transactions he got his first great start. The returns from the exchange were large. As his means increased he gradually extended his business, and finally, by thrift and diligent attention to business, he accumulated quite a snug fortune. In the end he built up a successful banking business, in which his sons became interested, and at his death inherited his wealth and the business. The elder brother died a few years ago, leaving ten million dollars to his family and to various charities. Anthony Drexel, the present head of this signally successful firm, is 55 years of age, and is a man of excellent business capacity. He is one of the successful business men of the United States.

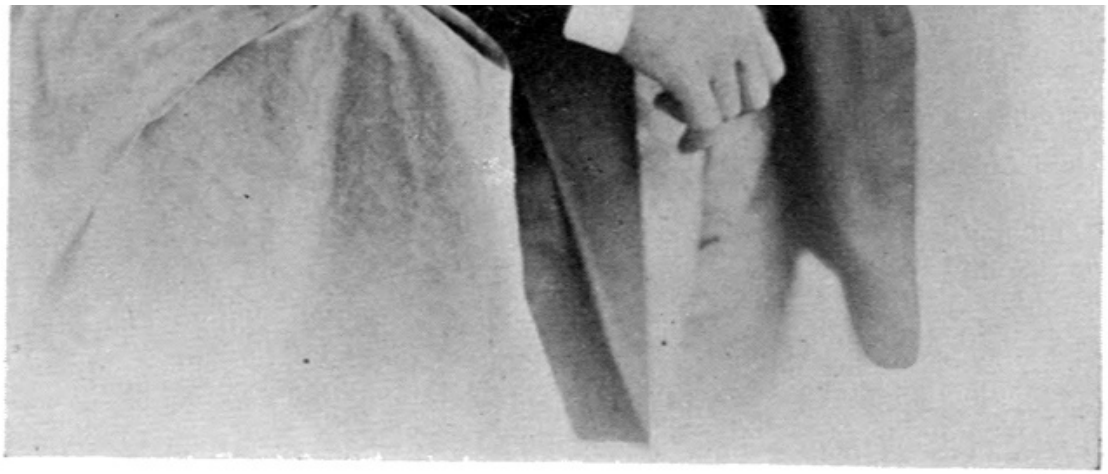
The Jerome Brothers.

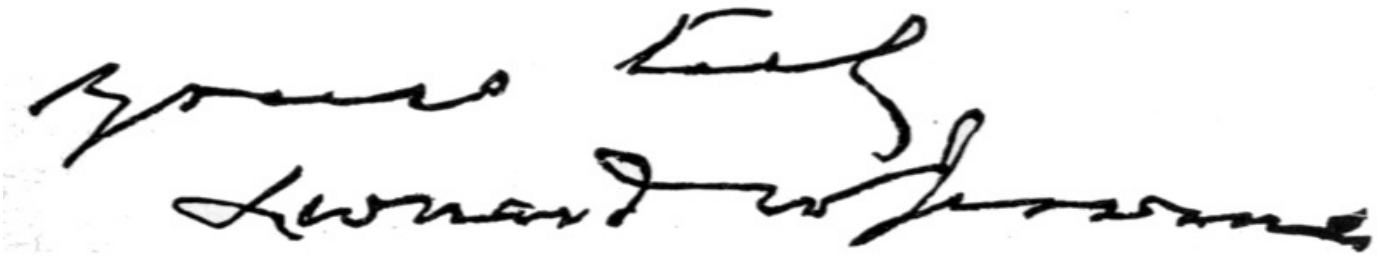
Addison Jerome, who died some years ago, was a gigantic operator in his day, and displayed great ability in the conduct of speculative campaigns, but he went beyond his depth and disaster followed. Like many others in Wall Street, he gained his business education in the dry goods trade. He met with one of his greatest reverses in his attempt to corner Lake Shore. Others followed, one after another, and the end was financial shipwreck.





ANTHONY J. DREXEL.





yours truly
Leonard W Jerome

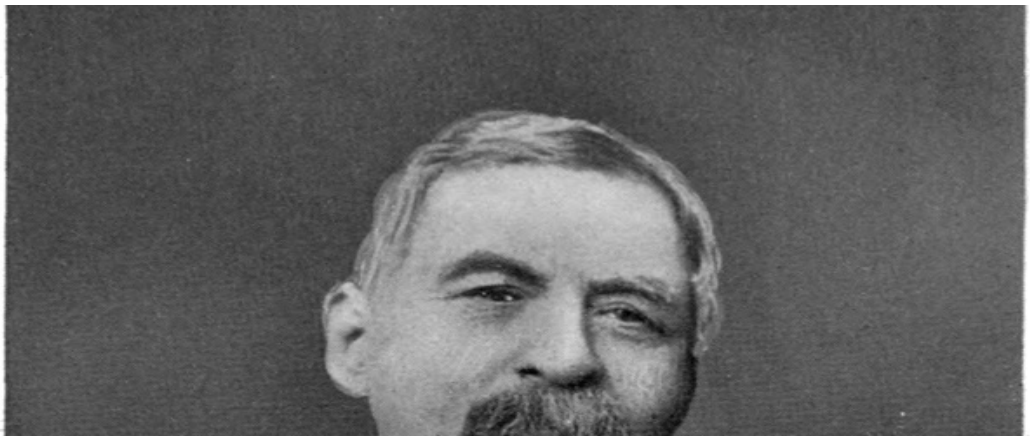
At this time his brother, Leonard W. Jerome, was one of the foremost men of Wall Street and was a partner of Wm. R. Travers, the firm name being Travers & Jerome. Leonard Jerome is splendidly built and nearly six feet in height. His ancestors were Huguenots. He was born in Pompey, Onondaga county, New York. His grandfather was a Presbyterian clergyman. At 14 Leonard was sent to Princeton College and was graduated with credit. He then spent three years reading law in Albany, and at 22 was admitted to the bar. He practiced law with his uncle, Judge Jerome, of Rochester. Afterward with his brother Lawrence he established a newspaper, called the *Rochester Native American*, and he made a good editor. President Filmore appointed him Consul at Trieste. He came to Wall Street in 1854. His first operation was in putting up all he could spare, about two thousand dollars, as margin on five hundred shares of Cleveland and Toledo stock, one of the old-time speculative favorites. He bought it on a sure point from the treasurer of the road. He bought. The treasurer sold. Result: The stock fell, and Jerome lost all his spare funds. He was not discouraged. He studied Wall Street tactics, and in the end he made the treasurer pay dearly for his former success in spearing a lamb. He invested $500 in buying calls and made $5,000 within thirty days. He became a partner of William R. Travers. They were very successful on the short side of the market. He was to meet with some reverses, however. In 1862 the agent of the State of Indiana, in a manner that would have deceived the very elect, through an unauthorized issue of Indiana 5 per cent. bonds, swindled him out of $600,000 by the hypothecation

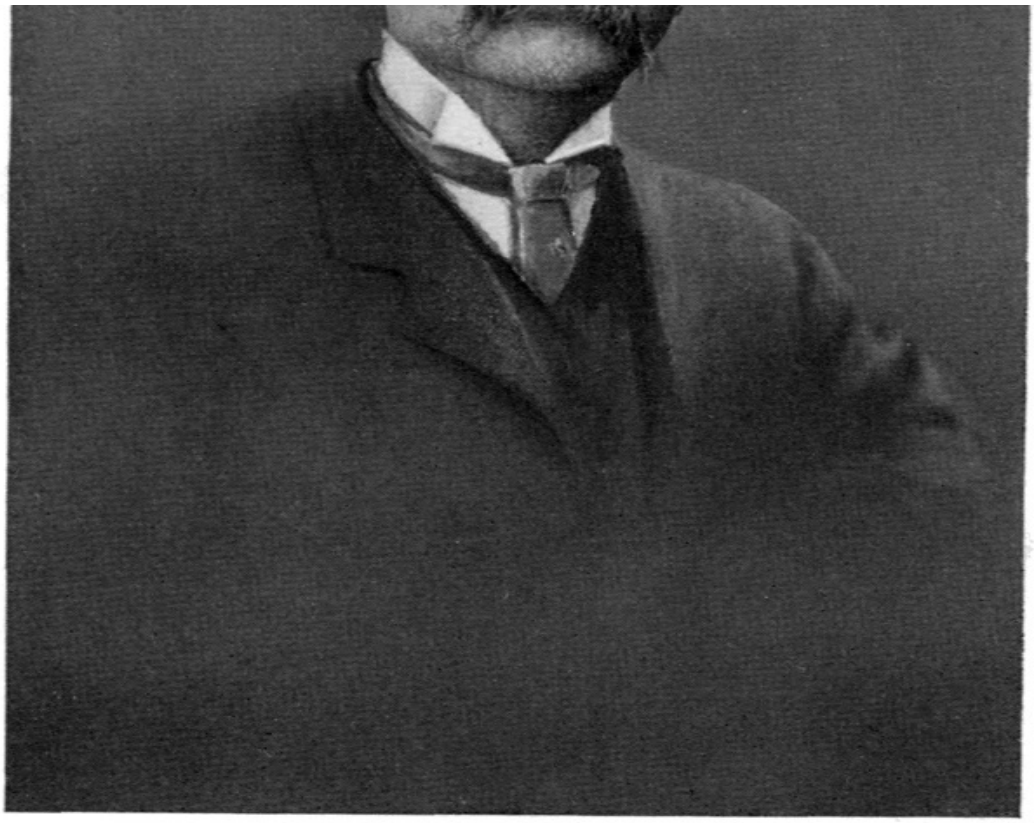
of the bonds. The State repudiated the acts of its agent, and as an individual is not allowed to sue a State, Mr. Jerome was robbed of the money. Still another reverse was met in Pacific Mail. When the capital stock was increased to $20,000,000 he took 50,000 shares at 200. The price advanced soon thereafter to 243, and he sold a part of his stock, but kept a large block of it on account of his faith in its value. At the next quarterly meeting of the Board of Directors, however, it was decided by a majority of one, five directors being present, to reduce the dividend from five to three per cent. The street was thunderstruck at the audacity of this move; the market broke, and in two hours Mr. Jerome's stock depreciated $800,000. Still he made large gains in Pacific Mail as well as big losses. He left Wall Street years ago with an ample fortune. He went there with next to nothing, and in spite of reverses, came out a substantial victor in the financial tourney. In the war he was always enthusiastic in his devotion to the cause of the North, and subscribed with princely liberality to aid patriotic movements. When the first great Union meeting was held at the Academy of Music he paid all the expenses. He was Treasurer of the Union Defense Committee, and he likewise paid all of its incidental expenses. He was the most liberal in his contributions and the most devoted in his allegiance to the Government in its darkest and gloomiest hours. He was the founder of the fund for the benefit of the families of those who were killed or wounded in the New York riots of 1863, growing out of the draft. His checks for $10,000 and more to aid the Union arms were frequent; he contributed $35,000 toward the construction of the "Meteor," a war vessel built to destroy the famous "Alabama" of the Confederacy. During the war Mr. Jerome purchased and held for some years the largest interest in the *New York Times*, then edited by the great war editor, Henry J. Raymond, an old friend of Mr. Jerome's. Like Mr. Travers, his early partner, Mr. Jerome has done much to encourage all out-of-door sports, especially on the race course. He established the Jerome Park Jockey Club, and became half owner in a famous speed horse which cost $40,000. No one has done more to improve the breed of blooded horses in this country than Mr. Jerome. He has also been prominent in yachting. He first owned the "Undine"; then, with Commodore McVickar, he bought the "Restless," and still later, with Commodore James Gordon Bennett, the "Dauntless." He paid $125,000 for the steam yacht "Clara Clarita," which proved a failure, and since then he has not been so enthusiastic a yachtsman as formerly. He made $45,000 on the great ocean yacht race of 1866. He had much to do with introducing the taste for four-in-hands in this country. He has been a liberal patron of American art in all its branches. He paid for the musical education of a number of well-known singers, whose voices were trained in the best Italian schools. His social position has always been high, but it has been still further promoted by the marriages of his beautiful daughters. The elder, Clara, is married to Mr. Morton Frewen, a member of an old English family which long represented their shire in Parliament. Another, Leoni, married Mr. John Leslie of the Guards, and son and heir of Sir John Leslie; while Jennie married Lord Randolph Churchill, the notable but erratic statesman. Leonard W. Jerome, whose history I have followed somewhat

minutely, is one of the best-hearted men that Wall Street ever knew. The more he made the more he gave. He was liberal to a fault. He was never happy but when making others happy. He was a Sir Philip Sidney of chivalry and peerless generosity—a man in whom the warmest and most ingratiating traits of human nature were as natural as the winning sunniness of his disposition and the courage which once made him one of the great gladiators in the arena of Wall Street. Both he and his brother Lawrence are old members of the Union Club. Lawrence was formerly a stock broker. He had his ups and downs, and withdrew from Wall Street several years ago. He sold his seat in the Stock Exchange and placed the proceeds, about $30,000, in an annuity which insures him about $4,000 a year for the remainder of his life. This, with his other income, places him in easy circumstances and preserves his naturally cheerful disposition, rendering him one of the most companionable men in the city. He is about five feet ten inches in height, stout and of light complexion. Since the death of his old friend, Wm. R. Travers, to whom he was as Damon to Pythias, he stands pre-eminent among the wits of New York. He is the prince of metropolitan wags and wits. His friends are legion. The great, genial, warm hearted, boyish Larry Jerome, as his friends love to call him, is literally a man without an enemy, and long may he live to brighten society with his happy exuberance of spirits, his scintillating humor and his brilliant wit.

Addison Cammack.

Addison Cammack is about sixty years of age and was born in Hopkinsville, Kentucky. He was reared in comfortable but humble circumstances. Early in life he began his business career as a clerk in the house of J. P. Whitney & Co., then the largest ship brokers in New Orleans. He showed decided business talent, and ultimately became a partner in the firm. In the early part of the Civil War he was located in Havana, but in 1863 he went to London and and engaged in business and speculation there. He returned to this country in two years, and in 1866 embarked in the wholesale liquor business in New York with J. W. George, the firm being J. W. George & Co. In about two years the firm was dissolved and Mr. Cammack became a member of the Stock Exchange, having previously formed a co-partnership with the late Chas. J. Osborn, under the name of Osborn & Cammack. This co-partnership, after some years of great prosperity, was dissolved, and since then Mr. Cammack has been an operator on his own account. In this capacity he has become widely known. He is a shrewd operator, and quickly changes his mind if he thinks he has been wrong. He jumps from one side of the market to the other with the greatest celerity when occasion demands it, but in the main he seems most at home on the bear side. In bear operations he has met with some reverses, while in this direction he has also made millions. He seems to place great faith in Benner's book of "Financial Prophecies." At times he operates on a very large scale, and he has been known to cover fifty thousand shares of stock in a single day. He is tall, well built, and has strong features, with keen, gray eyes. In manners he is very democratic and candid, and occasionally somewhat bluff; but he is a man of generous impulses, very charitable, and has plenty of friends, both for his financial acumen and for his qualities as a man who never deserts his friends, and who has not a few of the characteristics of mediæval chivalry joined to the shrewd practicality of a great stock operator of this practical epoch.





Very Respectfully
Addison Cammack

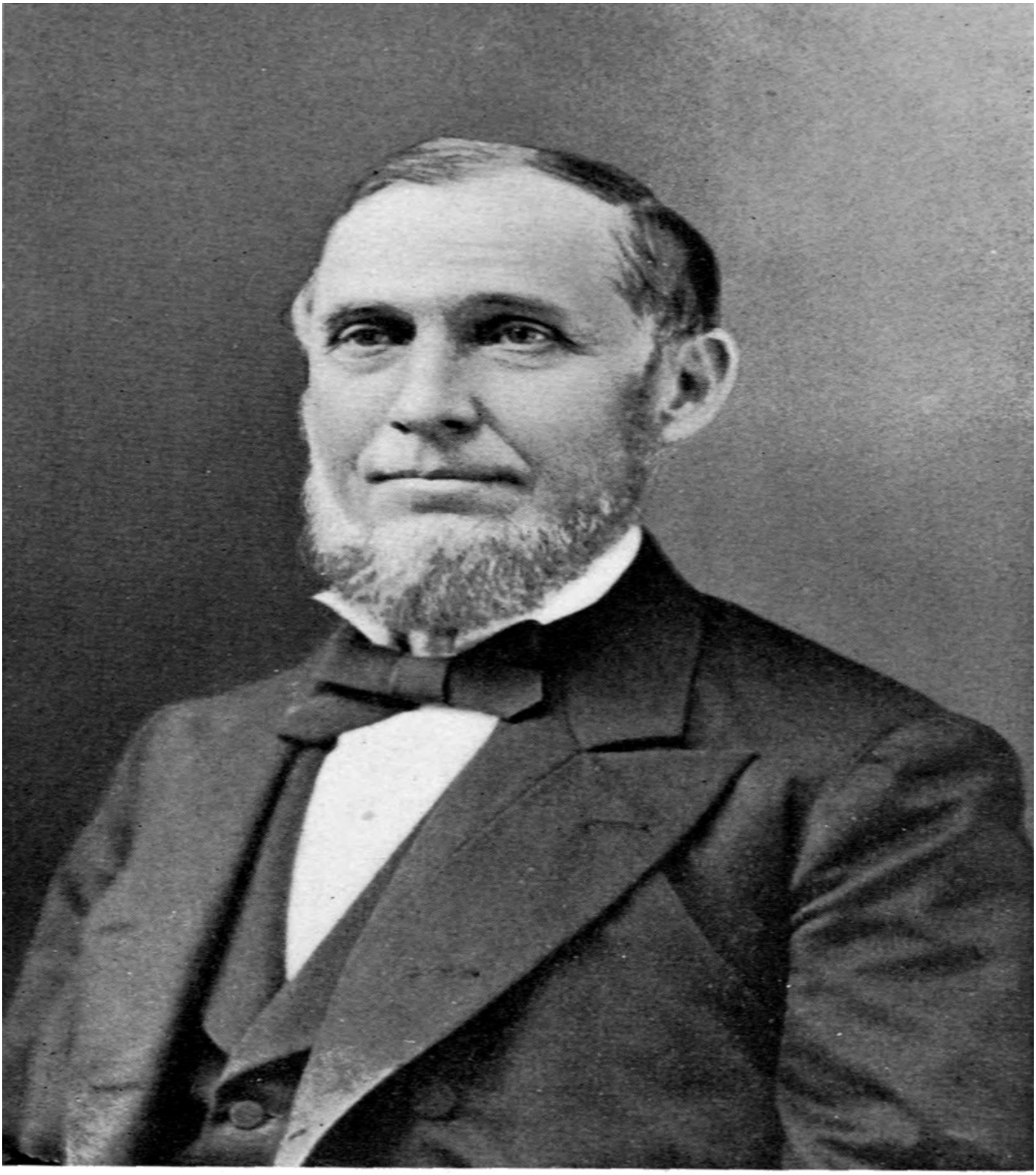
Russell Sage.

Russell Sage is one of the best known of Wall Street celebrities. He was born seventy years ago in Oneida county, of this State. As a boy, he was employed in a country general store, beginning life in this fashion at 14. His business aptitude early manifested itself, and at 20 he bought out his employer in Troy, to which he had in the meantime removed. He became later on a member of the Troy Board of Aldermen, served seven years, and was then elected Treasurer. Still later he was elected to Congress, serving from 1853 to 1857. He started the project of purchasing Mount Vernon and making it a national domain, and took great pride in the success which attended his efforts in this direction. While in Congress he became connected with the Pacific Mail Steamship Company, and later Vice-President of the Chicago, Milwaukee & St. Paul, also for a time its acting president. He is now a director in the Gould telegraph and railroad systems, is interested in a number of trust companies and is also said to own a large amount of stock in the Importers' and Traders' Bank. He is the king of puts and calls. He has usually been successful in writing privileges, but in the summer of 1884, when the market broke so badly as to produce a panic, Mr. Sage met with a decided reverse. He had sold a large number of puts, and the loss was several million dollars. He is known as, in one sense, the largest capitalist of Wall Street, inasmuch as he keeps the largest cash balance. It runs far up in the millions, giving him quick resources with which to carry out any project that may seem desirable. He is quiet and simple in his habits, making no display. He lives on Fifth Avenue, and also has a place at Babylon, Long Island. He is worth about twenty millions. He is tall, light complexioned, with keen, gray eyes, and in Wall Street might be taken for a country gentleman seeing the sights.

Chauncey M. Depew.

Chauncey M. Depew owes his rise to native abilities and the friendship of the Vanderbilt family, which he has thoroughly merited. He made the acquaintance of Wm. H. Vanderbilt about the year 1866 and became the attorney of the New York and Harlem Railroad. On the union of the New York Central and Harlem roads, in 1869, he was appointed attorney of the consolidated company, and in 1875 he was made general counsel. A few years previous he had been elected director of the New York Central road, and subsequently became a director in the Chicago and Northwestern, Michigan Central, St. Paul and Omaha, the Lake Shore and the Nickel Plate. In 1882 he was elected second vice-president of the New York Central, and in 1885 succeeded Mr. Rutter as president of that great railroad. He was born in Peekskill in 1834, and comes of an old French Huguenot family. He still owns the homestead purchased two hundred years ago by his ancestors. His mother is a descendant of the brother of Roger Sherman, of revolutionary fame. Mr. Depew was graduated from Yale College in 1856, and three years later was admitted to the bar. In 1862 he was elected to the New York Assembly and acted as Chairman of the Committee of Ways and Means and part of the time as Speaker. In 1863, the year after Governor Seymour's election, Mr. Depew was a candidate for Secretary of State on the Republican ticket, overcame the Democratic ascendancy, and was elected by about thirty thousand votes. He declined re-election and was appointed Minister to Japan by Secretary Seward. He held the post several years, and resigned it to resume business. His commission as Collector of the Port of New York was once made out by President Johnson, but in consequence of Senator E. D. Morgan's refusal to sustain Mr. Johnson's veto of the Civil Rights bill the President never sent the nomination to the Senate, but tore it up in a rage. In 1872 Mr. Depew was a candidate for Lieutenant-Governor of New York on the Liberal-Republican ticket, and was defeated. Two years later the Legislature elected him Regent of the State University. He served one year as one of the Commissioners to build the new Capitol at Albany. In the memorable contest for the United States Senatorship in 1881, Mr. Depew for eighty-two days received the votes of three-fourths of the Republican members, retiring then to ensure the election of Warner Miller. Mr. Depew is President of the Union League and a member of many other clubs and societies, and is very popular wherever he is known. He is one of the wittiest and readiest after-dinner speakers in this country, and when occasion requires, rises to the height of a born orator. His tastes seem to be those of a statesman and a scholar rather than those of a financier in the ordinary acceptation of the term, but his conservative and able administration of his office as President of one of the greatest trunk lines in this country, reveals a thorough apprehension of railroad problems and a natural capacity for whatever duties may be

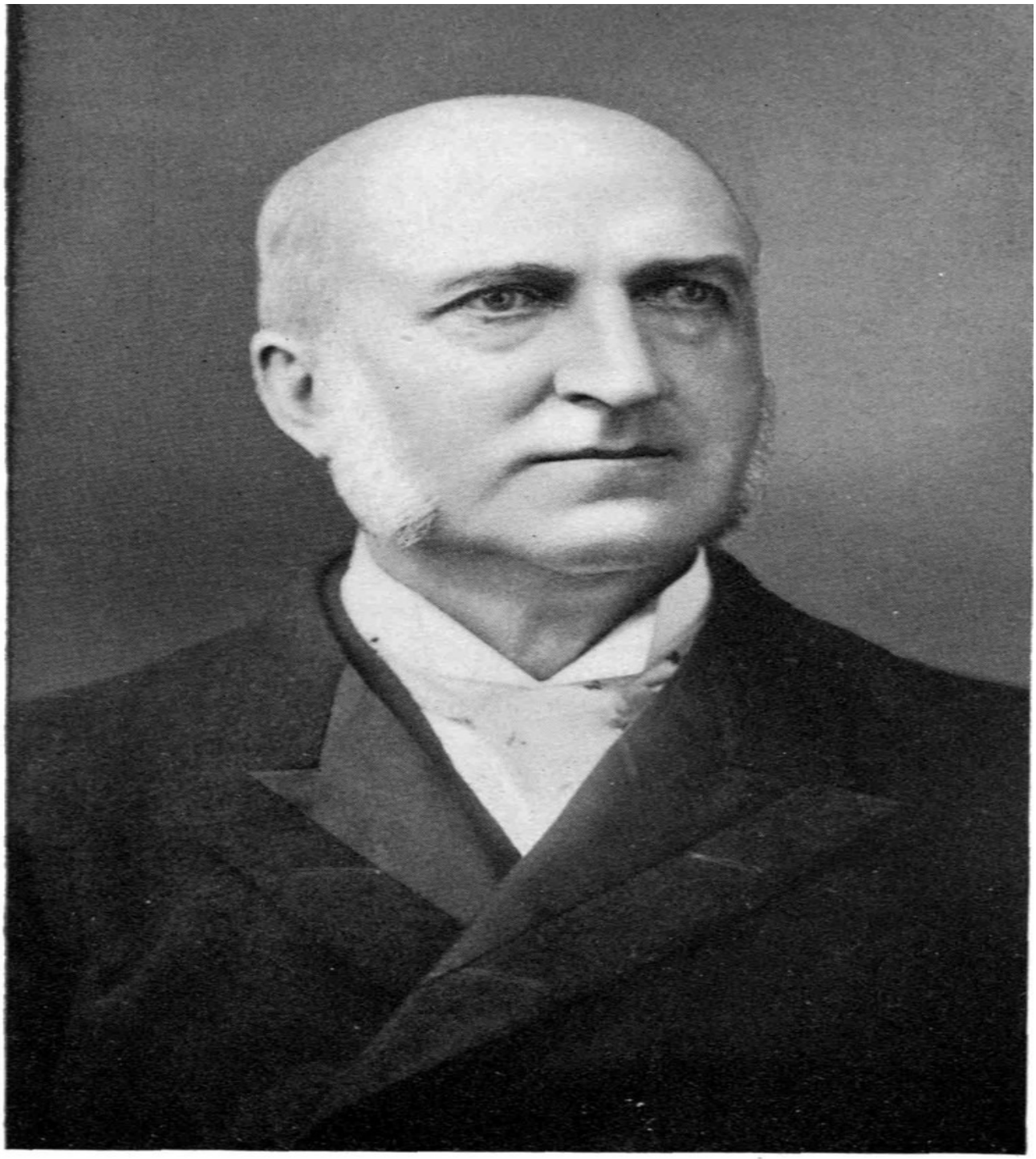
imposed upon him. His great versatility is exemplified by the fact that he has succeeded in law, politics and railroad management.



Russell Sage

JAMES M. BROWN.

James M. Brown, the banker, was born in New York city, and is about 65 years of age. He is ex-President of the Chamber of Commerce, and is held in general esteem and respect. The house of Brown Bros. & Co., in which he is now the senior member, has an interesting history. Early in the present century Alexander Brown came from Belfast, Ireland, to this country, and settled in Baltimore, where he engaged in the dry goods business under the firm name of Alexander Brown & Sons. Subsequently the firm comprised five sons of Alexander Brown. The business of the dry goods firm prospered, and branch houses were established in Philadelphia, New York and Liverpool, a son going to each of these cities to represent the parent house in Baltimore. In New York and Philadelphia the style of the firm was Brown Brothers & Co., as the father had died in the meantime. In Liverpool they associated with them Mr. Shipley, and the firm there was Brown, Shipley & Co. Another house was established in London later on under the same title as the Liverpool firm. All the houses were still engaged in the dry goods trade. Here in New York, in which we are more particularly interested, the firm made advances on cotton, and received linens from abroad, and also orders to buy cotton for Liverpool. Gradually the house began to make larger advances to planters and others engaged in the cotton trade, and finally the banking business became so large as to swallow up the dry goods trade and the house thereupon dropped merchandise and became bankers. Later on a branch house was established in Boston, and at times it has had branch houses in New Orleans, Mobile, Galveston, Savannah and Charleston conducted under the name of the parent firm. At present it has houses in London, Liverpool, New York, Philadelphia, Boston, Baltimore and New Orleans. All of the original Brown brothers are dead. James M. Brown is a near relative of James Brown, whose picture appears, and who was the original head of the house in New York. James M. Brown did not enter the house in his youth. He was for years the senior member of the dry goods house of Brown, Seaver & Dunbar. On the dissolution of this firm James M. Brown became a partner in the house of which, by reason of his years and large experience, he may be considered the head. The other partners here are Howard Potter, John Crosby Brown, Charles D. Dickey, Waldron Post Brown, a son of James M. Brown, and W. F. Halsey. The New York partners are interested in the branch houses in this country and abroad. James M. Brown was a member of the famous Committee of Seventy which contributed to the downfall of the Tweed Ring in this city. He is of the medium height and florid complexion, well preserved, genial in manners, and is a man of high character.



Yours Very Truly.
Chauncey M. Depew

Yours Very Truly.
Chauncey M. Depew.

Stedman, the Poet and Financier.

A small, slightly built gentleman with iron gray side whiskers, a refined face and expressive gray eyes, is one of the notable figures in Wall Street. It is Edmund Clarence Stedman, the banker poet. He was born in a small town in Connecticut in 1833, studied at Yale, entered journalism in 1852, came to New York in 1855, and soon began to contribute poems to the *New York Tribune*. He became a war correspondent for the *World* on the outbreak of the rebellion, and continued in this capacity till 1863. In that year he became private secretary to Attorney-General Bates at Washington. Meantime he studied law, and contributed to the *Atlantic Monthly* and other leading magazines. As a poet, he holds high rank; as a writer of polished, graceful prose he has few equals; as a thorough gentleman and a scrupulous man of business he is held in the highest respect. Through the imprudence of another he has within a few years met with some financial reverses, which he met courageously and honorably, and he is now well on his way towards his former position of financial ease. Although a poet, he understands Wall Street business thoroughly, and is considered a keen judge of financial opportunities.

Victor H. Newcombe was born in Louisville, Kentucky, about 48 years ago. His father was President of the Louisville & Nashville Railroad, and the son succeeded the father in that position. The elder Newcombe was a financial power in Kentucky. He was sagacious and far-seeing. In every respect, he was an excellent business man. Victor Newcombe has fallen heir to his father's laurels and is a successful operator in Wall Street. He has achieved signal success in most of the campaigns in which he has engaged, whether on the bull or the bear side of the market. He is cautious, and turns quickly when he thinks there is occasion. He seems to act on the French saying, that "only a fool never changes his mind." He lives in fine style on Fifth avenue, and also has a beautiful residence at Elberon. He is one of a number of prominent gentlemen from the South who have enrolled themselves among the citizens and taxpayers of New York. He is an ex-director in the New York & New England road, and a prominent member of the Union and Tuxedo Park Clubs.

Moses Taylor.

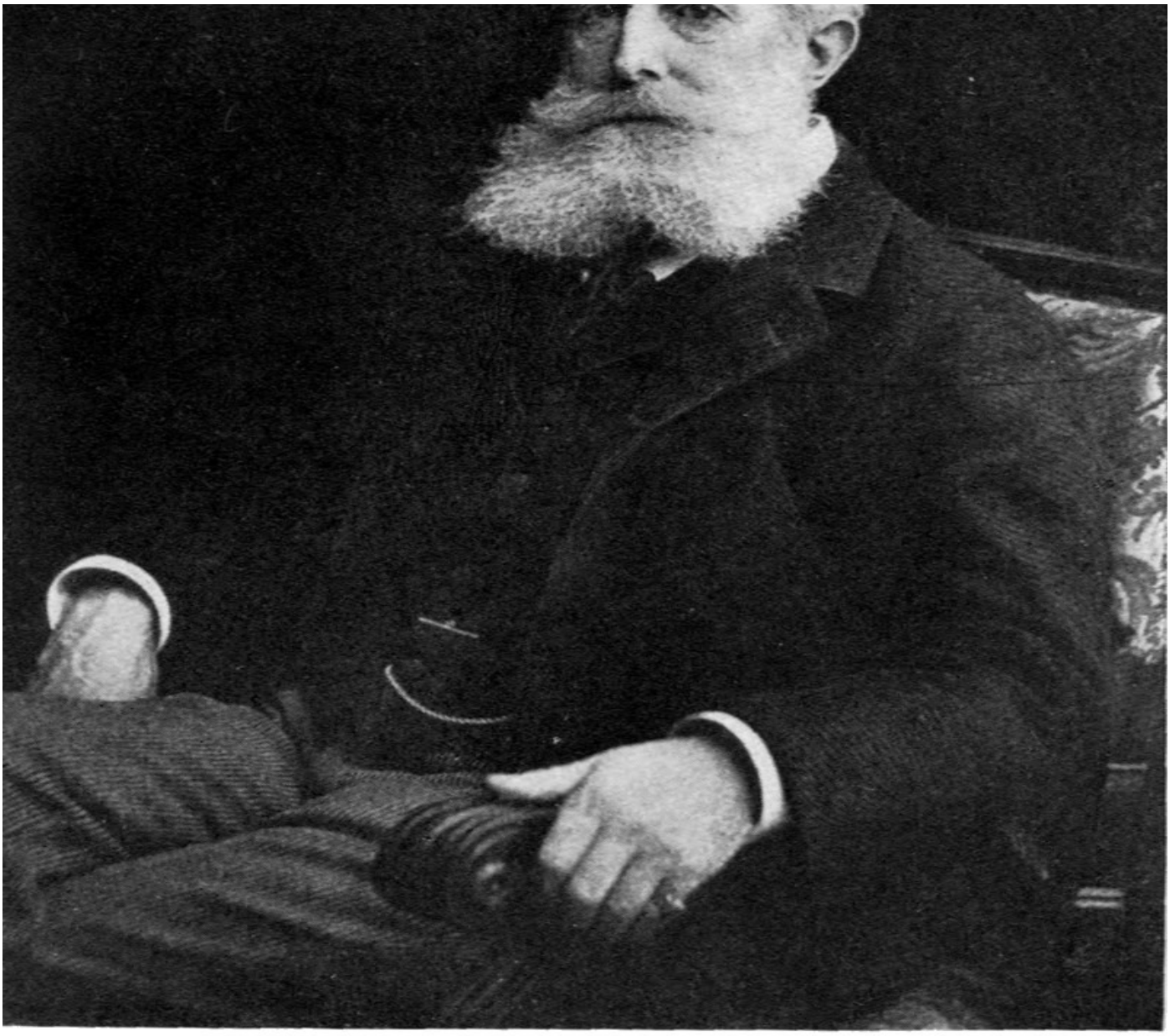
Moses Taylor, now deceased, was one of the notable figures in Wall Street life for many years. He started as a South street merchant, after having been a clerk with G. G. & S. Howland. Wm. H. Aspinwall was also a clerk with that house at the same time. When Mr. Taylor gave up his situation to embark in business for himself, Mr. Aspinwall was admitted into the Howland firm as a junior partner. Moses Taylor was a man governed largely by intuition. There was little argument; with him, so to speak, it was a word and a blow. Having formed his impression and taken his quick resolution, there was no length to which he would not go in the transaction, either in buying or selling or advancing money. He was President of the City Bank and owned a large amount of its stock. Under his administration the bank was wonderfully successful. His son-in-law Percy R. Pyne, is now its President. Moses Taylor was a valuable aid to the Union cause during the war. He was a close friend of Secretary Chase, and whenever the Government needed the assistance of the banks, the Secretary's influence with the great merchant speedily brought about the desired result. Moses Taylor realized the fact that the support of the Government by the entire banking system was an imperative necessity. The presidents of the banks would be called together on one of these appeals from the Secretary of the Treasury, and whatever action Mr. Taylor favored would be adopted, so strong was his influence, and so high his standing as a merchant and financier. He accumulated wealth very fast in connection with the sugar branch of his business. Most of the large sugar planters consigned their product to his firm, and they were also governed by his superior judgment in investing their money, so that he always had important connections with Wall Street, a fact that entitles him to a place in this book. While investing millions for Cuban capitalists, he also invested very largely for himself. Moses Taylor was the first to discover the value of the Delaware, Lackawanna & Western Coal property, and while the stock was kicked about Wall Street, because the company was bankrupt, he picked it up at a few cents on the dollar, and made millions of dollars from this investment alone. At his death he was one of the largest owners of the stock, as his faith in it was so strong that he had refused to sell it, even though the price had risen above 140. He died worth at least forty millions of dollars. He had no social aspirations, and no interest in anything but business. It was his idol. Few men have been harder workers from early in life up to their last days. He never felt that he could spare time for recreation, and was seldom known during his long business career to leave the city over night, summer or winter, except on business. Moses Taylor had for partners in his business his son-in-law Percy R. Pyne and Lawrence Turnure, both excellent business men, and Mr. Taylor owed much of his success to the selection of these gentlemen to aid in the management of his affairs. Mr. Taylor placed in the hands

of these two gentlemen, especially during the last ten years of his life, the laboring oar of his vast business, and the successful results are the evidence of their sagacity and marvellous ability.

James Brown

Anthony W. Morse.

Anthony W. Morse was once one of the remarkable men of Wall Street. He made $150,000 in speculation, bought a yacht and went to Europe during the war. While in England, he mingled with the aristocracy, and became strongly imbued with the idea that the North would not be successful in the war, and that the National currency would become almost valueless. He thought that the more the National currency depreciated, the more railroad stocks and bonds would advance; in short, that whatever the currency would buy would advance, while the currency itself would become nearly worthless. He therefore became a rampant bull on stocks. He bought almost the whole list, and also did a large business in buying for others whom he succeeded in impressing with his own ideas. He had many followers and made a tremendous inflation. Secretary of the Treasury Chase was advised of this Morse speculation, which might prove prejudicial to the National credit, and he announced that if the inflation was carried any further, he would prick the bubble by selling gold. Anthony W. Morse thereupon personally sent Secretary Chase a dispatch saying that he would take all the gold that the United States Government had to sell. Mr. Chase immediately ordered Assistant Treasurer John J. Cisco to sell $10,000,000 of gold to the highest bidders. The usual notice appeared in the morning newspapers, and a panic at once followed. At 12 o'clock, or two hours after the opening of the Exchange, it was announced from the rostrum that Anthony W. Morse had failed. This terminated the career of Mr. Morse as a large operator and manipulator, and with his downfall the death knell was sounded to his imported theories. He straggled manfully for several years to regain his footing, but his prestige was gone, and he failed in every effort to push his way again to the front. His ill-success soured him. His health failed, and he went to Havana to recuperate. There he died with profanity on his lips, enraged at the failure of all his hopes. He paid the penalty of disloyalty. His friends of the English nobility were largely to blame for all his misfortunes. Their predictions of the success of the South led him on to irretrievable ruin. He did not see that their wish was father to the thought.



Edmund Clarence Stedman

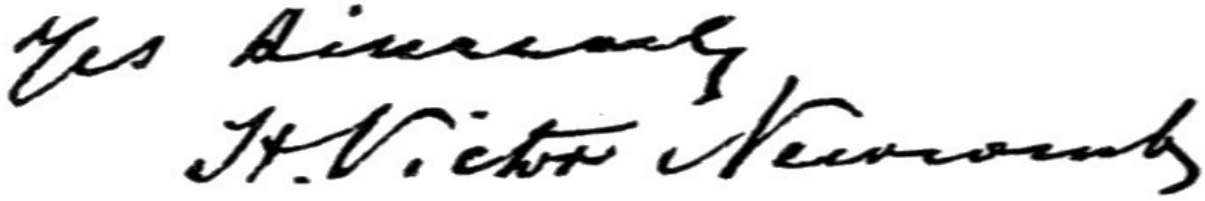
Edmund Clarence Stedman

Former Giants of the Street.

Henry Keep, once President of the Lake Shore road, and also of the New York Central, was in his day a power in Wall Street. He was the first to discover the intrinsic value of railroad property in the Northwest, and manipulated Chicago & Northwestern stock, both common and preferred, very successfully, making a great deal of money for himself and friends. He died very wealthy. He came to New York city from Watertown, in the interior of New York, and at first was an exchange broker, dealing mainly in uncurrent money. He had previously served in some humble position on a railroad. By careful and economical habits he was able to leave a fortune of several million dollars, largely in common and preferred Northwestern stock. The plot of ground on which William H. Vanderbilt built his palatial Fifth Avenue home was once the property of Mr. Keep, who originally bought it for about $250,000 for the purpose of building a charitable institution, but changed his mind when the property quadrupled in value. Then he concluded that charity should begin at home. He sold the plot, extending for one block along Fifth Avenue, to Mr. Vanderbilt for one million dollars. Still his original intentions were good, and it was only after the real estate market, as with Satanic malice, had in that locality advanced 400 per cent. and taken him up into a high mountain of temptation, that his philanthropical project turned awry and lost the name of action. While Mr. Keep made a signally good President of the Lake Shore road and was a great manipulator of stocks, he was a failure as President of the New York Central, and he resigned that post having no confidence in the future of the property. Commodore Vanderbilt, who believed in the property, became his successor, and in a previous chapter I have given the story of the rise of that remarkable man. It is of interest to recall, by the way, that while President of the Lake Shore road Mr. Keep went largely short of the stock. As the President he naturally had inside information. Addison Jerome, a brother of Leonard Jerome, was a big operator of the day, and undertook to corner President Keep. In those days a great deal of stock was sold on seller's option for thirty and sixty days. Mr. Keep had sold largely in this way, and Addison Jerome and his clique had bought heavily, expecting that the corner would be complete when the options should mature. A surprise awaited them. Mr. Keep made deliveries promptly in brand new shares. They were really an over-issue by the Company. It was a Waterloo in a double sense for Jerome and his fellow bulls. They were in over their heads. It had such a dampening effect that they immediately threw up the sponge and the stock came down with a crash. The issue of this new stock was smoothed over by turning the avails into the treasury of the Company, a fact, however, which did not prevent Mr. Keep from making a pretty good turn on his shorts.

J. Pierpont Morgan.

J. Pierpont Morgan, known as the "Railroad Reorganizer," and who has won a place in the front rank among American financiers, is a son of the well-known Junius S. Morgan, the head of the firm of J. S. Morgan & Co., of London, and the successor of George Peabody, the great philanthropist in the banking business there. George Peabody, some years before his death, visited this country, and, desiring a partner in his great banking house, made inquiry in Boston for a suitable person. Junius S. Morgan was recommended as a young man of exceptional business talents and he was selected for the responsible post, the firm being known as George Peabody & Co. On the death of the celebrated head of the firm, the name was changed to J. S. Morgan & Co. The success of the father has been repeated in the signally successful career of the son. During the palmy days of the firm of Duncan, Sherman & Co., once renowned among the financial strongholds of the country, J. Pierpont Morgan was one of the clerks. It was there he graduated as a practical student of financial achievements; it was there he won his spurs for the monetary campaigns that awaited him. Leaving the house that was then a synonym for invincible solidity, Mr. Morgan established the firm of Dabney, Morgan & Co. Mr. Dabney was formerly one of the firm of Duncan, Sherman & Co. After a few years the firm in which Mr. Morgan had thus first engaged in business on his own account was dissolved. But the check, if it may so be termed, was only momentary, and colossal feats of financiering were to deck his career with triumphs. He formed a connection with the wealthy Drexels, of Philadelphia, and a New York branch of their banking house was established, under the name of Drexel, Morgan & Co., which has for some years been largely engaged in the reorganization of crippled railroads like the West Shore, Reading and many others. And they have been very successful. They have been financial physicians, healing sick corporate bodies; monetary surgeons, amputating needless expenditures and reckless methods; or, in perhaps more happy figure, skilful pruners of the vine, that the ultimate vintage might be more abundant.



Yrs Sincerely
H. Victor Newcombe

Mr. Morgan is endowed with very positive traits of character. He has the driving powers of a locomotive. He cares nothing for show; he is a plain man of action. He strikes hard blows; he is naturally aggressive. In speech he is candid to the verge of

bluntness; in action he is short, sharp and decisive. Like a true soldier, he is a man of acts rather than words. Rugged as a Spartan in his nature, hating circumlocution, bombast and palaver, going straight to the mark, yet with due caution and prudence, he exhibits many of the best traits of the practical financier.

I have asked Mr. Morgan for his picture for publication in this book, but with natural personal modesty, he has recommended that his handsome partner, Anthony Drexel, of Philadelphia, be selected in his place, and with a view to encouragement in Wall Street of blushing modesty—that century flower of the financial conservatory—I have complied with his request.

THOMAS L. JAMES.

President of the Lincoln National Bank, has had a career in New York brilliant in the service of the public, and marked in the practical skill with which confidences and enterprises have been directed by him. His training has contributed largely to his success as a financier. He came from Utica in 1861 and entered the Custom House as Deputy, and finally attained the position of Postmaster-General after a long and successful term as Postmaster of the City of New York. Mr. James directed the affairs of the Lincoln Bank so successfully that what promised to be a small up-town bank has developed into a National bank of considerable importance. He is one of the men of the times, one who feels the tide of local affairs, a man of the people who acts from wholly conscientious motives, and whose ambition has never exceeded his sense of duty.

Moses Taylor

CHAPTER LX.

JAMES B. AND JOHN H. CLEWS.

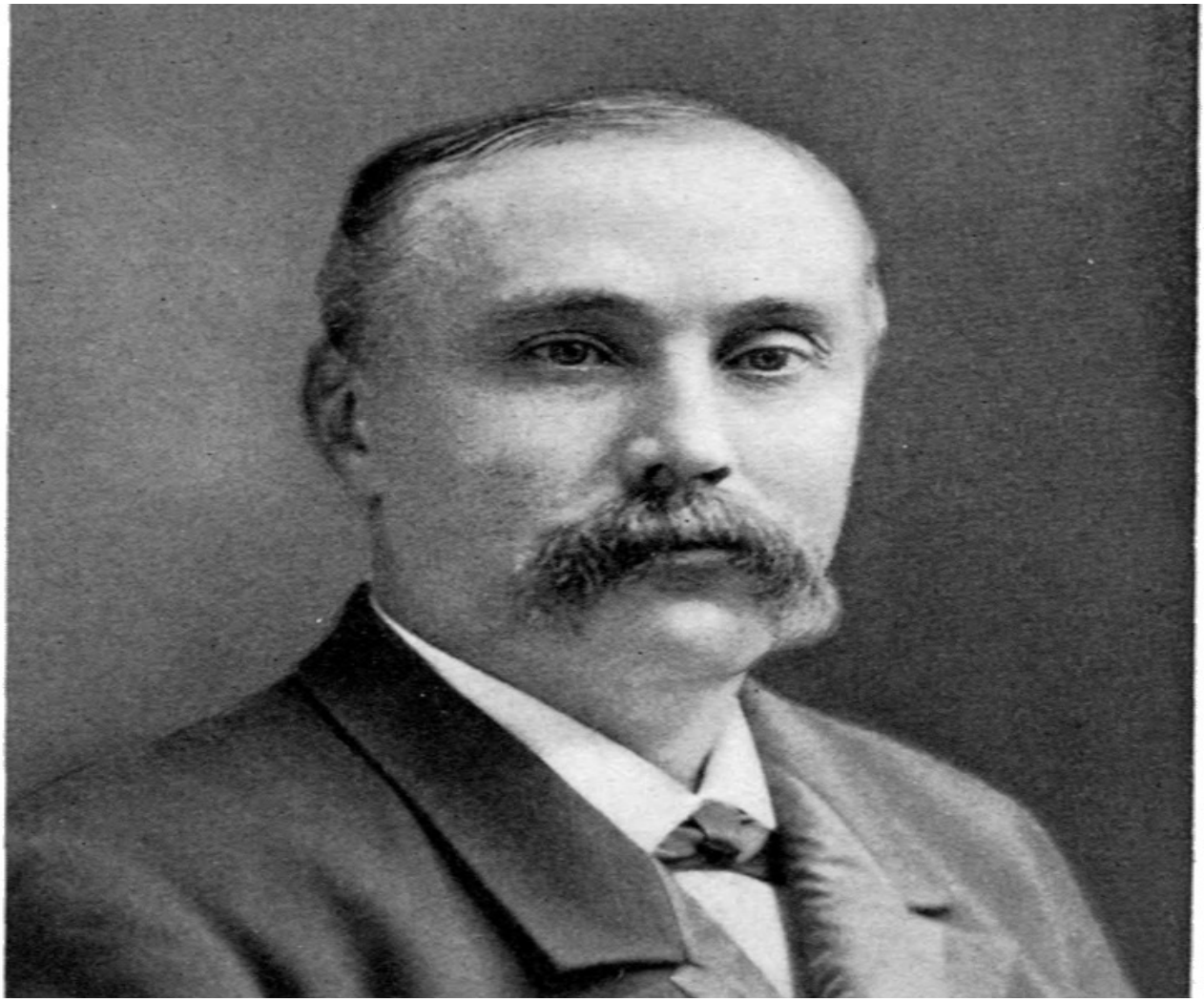
The subjects of this sketch, whose portraits adorn these pages, are both members of my firm and I think this book would be incomplete without putting in a few words in reference to them. As will be seen by the sketches which follow, they both commenced their business careers in a modest way and through perseverance and industry have attained positions in the financial world which are in every way creditable to them. I have made it a rule never to introduce a blood relative into my office for a position of trust unless I believed him worthy of confidence and capable of performing the duties assigned to him in an intelligent manner. To do so would be an act of injustice, not only to him but to his associates in the office, and generally causes ill feeling and bad results in the end. Happily with my nephews I have had no such cause or ground for complaint. On the score of merit alone they have succeeded in advancing themselves to their present positions.

James Blanchard Clews was born in Dunkirk, N. Y., August 4, 1859. After graduating from Chamberlain College, in this State, he entered the general office of the Red Line Transit Company, in Buffalo, N. Y., where he spent two years. He then accepted a position of responsibility in the General Manager's office of the Union Steamboat Company, also located in Buffalo. Here his ability and his growing capacity for making a good business man were further satisfactorily illustrated and recognized by those officially over him. Realizing, however, that Wall Street offered better opportunities for advancement, he resigned his position and obtained one in my banking office as book-keeper. Commencing at the bottom of the clerical staff, he displayed so much ability, coupled with untiring energy in the performance of his duties, it was a pleasure to promote him from time to time, whenever an opportunity offered, with the result that after eight years of vigorous training through the successive grades of Book-keeper, Cashier, and General Manager, he was rewarded in 1890 by being made a member of my firm. It will thus be seen that my nephew possesses a thorough and practical knowledge of the inside workings of a banking house which is so essential to a successful Wall Street business man. Being besides a student of nature, he has also

improved every opportunity to learn the value of railroad and other investments and to-day is a recognized authority on all such matters. He has served as President of an important railroad and is a Director in a number of large corporations.

John H. Clews,[1] junior member of the firm of Henry Clews & Co., was born October 28, 1856. In beginning his business career he entered the service of the Erie Railroad Company, in the transportation department, where he gained a general knowledge of railroad management and its affairs. After a few years with that company he was offered a position with the Western Transportation Company, the water line of the New York Central Railroad. Here he had the opportunity of completing his education in all the branches of transportation. He was then appointed Agent of the New York, Chicago & St. Louis Railway at East Buffalo, N. Y., the distributing point for all freight between the East and the West. From this place he entered Wall Street, where he evinced the same progressive spirit. In 1890 he became a member of the New York Stock Exchange, acting as one of the chief brokers for Henry Clews & Co., and January 1, 1898, he obtained an interest in the firm.

1. Deceased April 10, 1907.



Thomas L. James

CHAPTER LXI.

A REMARKABLE CHAPTER OF HISTORY.

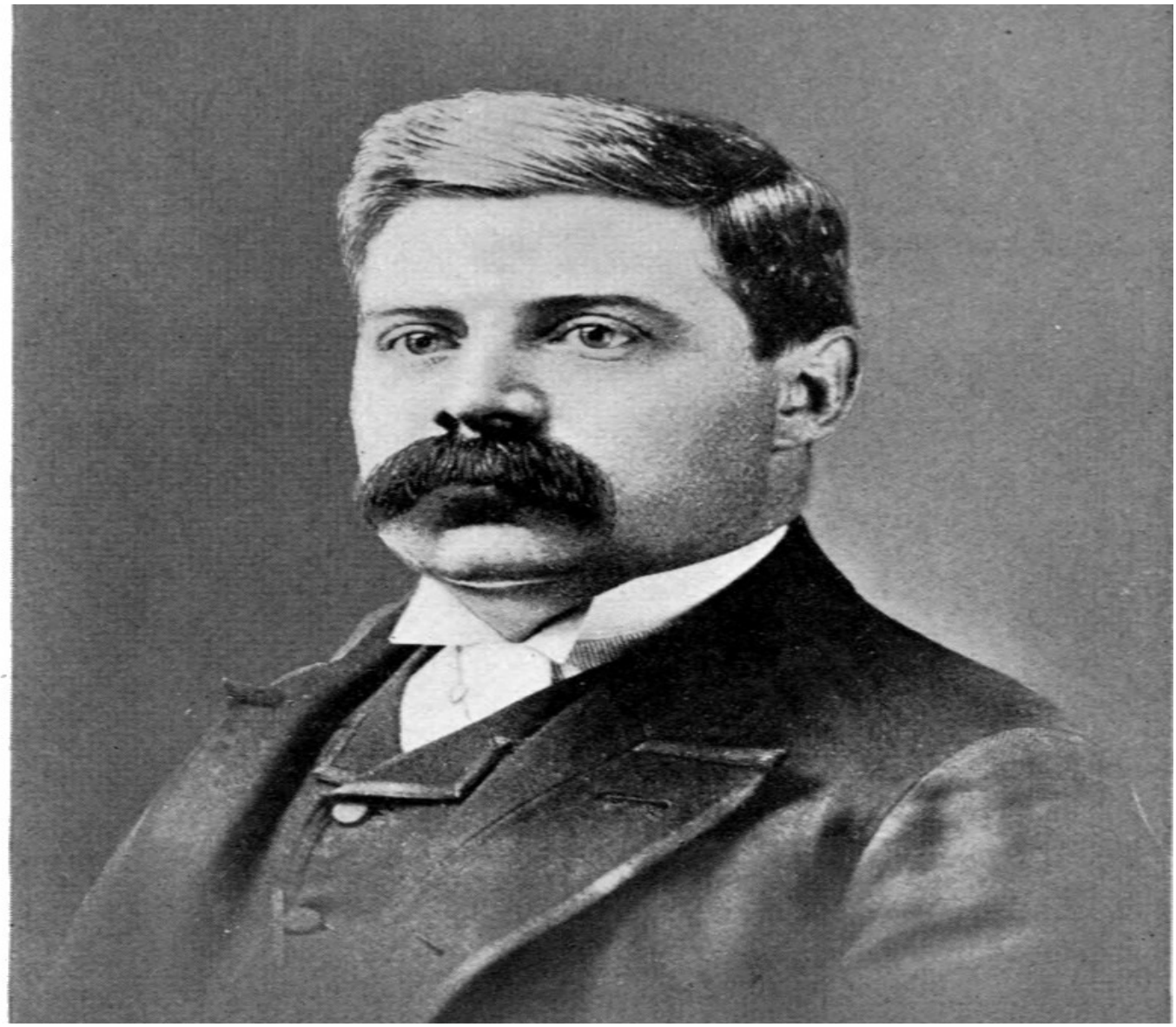
Any review of the advance of this country during the past fifteen years, forms a record of the most wonderful progress ever made by any nation in such a short period. A record of the development of the country's resources through a resistless energy that seems destined to control the markets of the world, reads almost like one of Grimm's famous tales, for after numerous trials, and the surmounting of many obstacles, the fairy wand is turning what we will into gold.

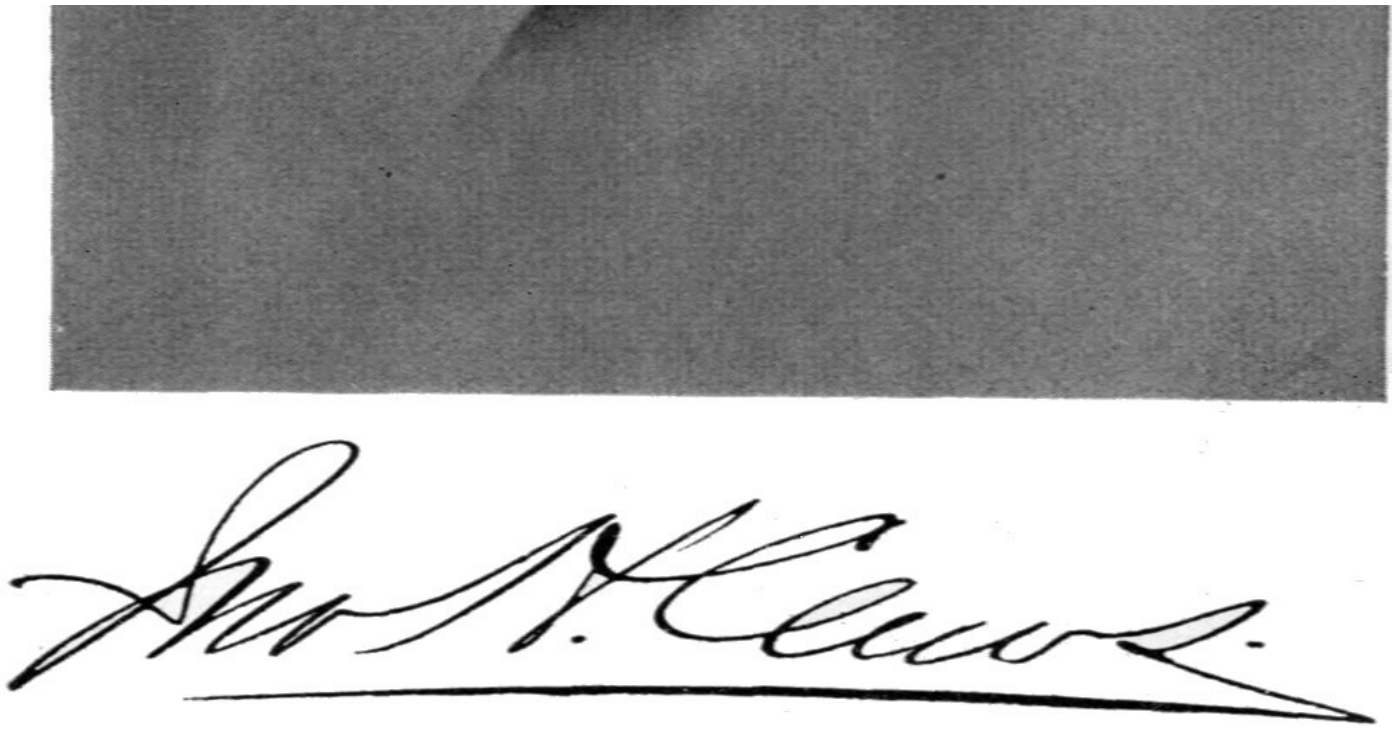
One of the effects of the Vanderbilt boom of 1885 is to be found in the enormous mileage of new railroad construction in 1887, namely 12,000 miles. It may have looked at the time excessive, but it has turned out to be a fortunate anticipation of the great business strides made since that time. As far back as that year, our exports of manufactured articles began to show an appreciable increase.

The year following will always be memorable as the time of the great blizzard which tied New York up so effectually for several days. As a direct result of the exposure to its severity, the country lost in Roscoe Conkling one of the most picturesque figures in American politics and a man of unblemished reputation. He was taken from the arena of affairs too soon to allow his participation in the presidential campaign of that year.

My own experience at the time has impressed the memory of the great storm strongly upon my mind. I had gone to Newport accompanied by Mrs. Clews to inspect some improvements then being made at my summer home, and in returning we came across the bay in the regular boat for the purpose of taking the noon-day train which ran from Boston to New York. When we were about half way over the bay, a vicious squall struck us and we began to doubt if we should ever reach the shore again. Finally, however, we did manage to land, and connected with the belated train. Progress of course was slow, so slow in fact that the next morning saw us only as far as New London, whence further movement was out of the question. Many of my readers will recall the railroad ferry over the bay from New London. The last train previous to ours had been started across, but the violence of the tempest had compelled the pilot to give

up the task and return. With more incoming trains, New London was soon congested by the sudden increase in population, and accommodations of any sort were at a premium. We were for a time at a loss as to where we could go, but fortunately succeeded in inducing the manager of the hotel there to install us in the private apartments of the proprietor, who had the day before started with his family for Florida. He spent the ensuing four days upon the railroad, between New London and New Haven, banked in by a snow drift six feet high, while we enjoyed the hospitality of his apartments during that time. I am sure that we could not conscientiously complain of the exchange. Telegraphic communication with New York was completely shut off. As our children had remained in the city, we were naturally anxious to know of their welfare and relieve any anxiety they might have as to our safety. There remained but one means of communication, and that a wire to Boston, whence messages could be cabled to Liverpool, and back to New York, and that is the way we got word to and from the metropolis. That was a rather circuitous way, but it was effective.





John H. Clews.

Mr. Cleveland's renomination and accompanying free trade talk, disturbed the markets more or less from the date of his nomination in 1888 up to the time of General Harrison's election. The latter's entrance into the White House started the entire business of the country going, and through his wise management, we were brought to a very high point of prosperity, the last year of his term being, up to that time, one of the most prosperous in our history. One of General Harrison's most signal achievements was in the exchange of reciprocity treaties, which was managed in such a masterly manner by his resourceful Secretary of State, Mr. Blaine.

In the middle of General Harrison's term, occurred the greatest financial shock the world had experienced in the last quarter century, or since the panic of 1873.

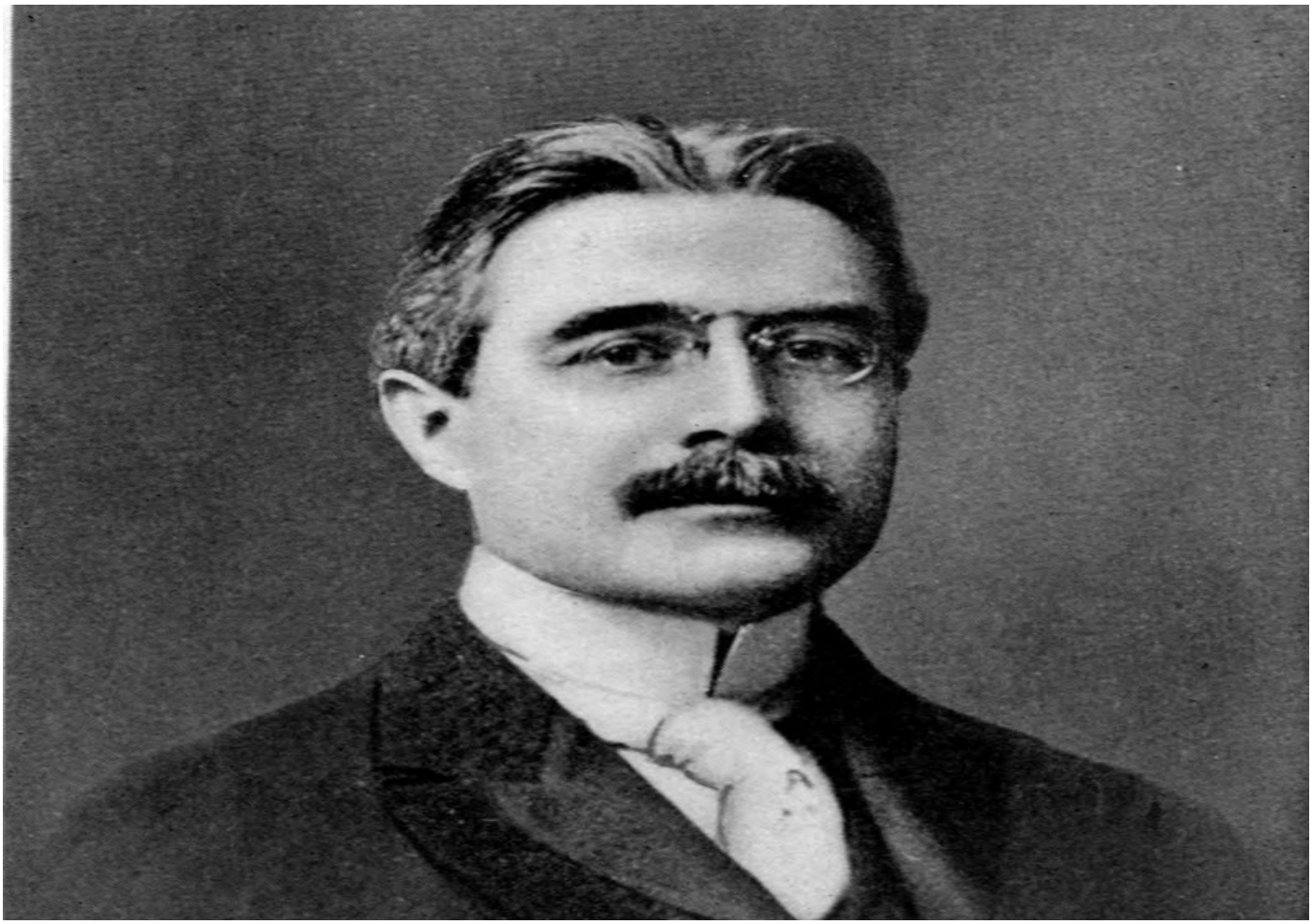
The suspension of the great firm of Baring Bros. of London in the fall of 1890 proved a demoralizing force from the effects of which finances did not thoroughly recover for several years. The direct cause of the failure, as is now well known, was over-commitment in Argentine enterprises. Through the representations of an agent of theirs who had visited the country, everything bearing the name of Argentine was colored a most rosy hue, and the investments of that great house and its following were enormous. The inevitable reaction from such inflation found them with an immense load of these securities unmarketable, and they were forced to suspend. The assistance rendered in rehabilitating the firm has been signally successful. Through the efforts of Mr. Lidderdale, Governor of the Bank of England, that institution took over some seven million pounds sterling of the congested obligations of the firm. By the wise, patient,

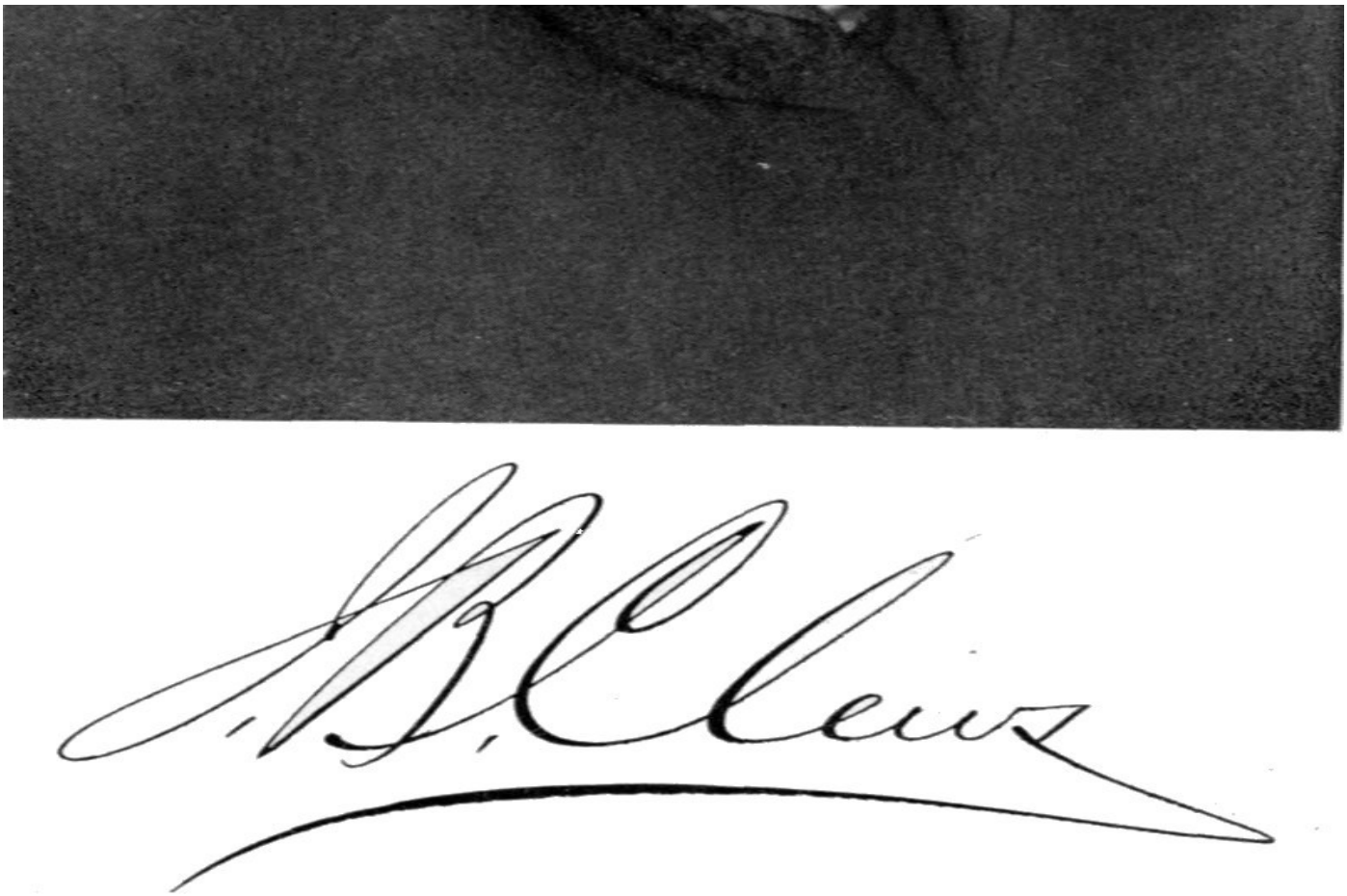
and sagacious management of these former unmarketable properties the bank was finally enabled to realize enough therefrom to pay up all the arrears of the firm.

The liquidation of American securities by British holders which was consequent upon their failure was enormous in volume and extended over several years.

The year 1890 was further noteworthy as marking the birth of that unfortunate compromise of the silver agitation known as the Sherman silver-purchase law, which was to bring about such direful results within a brief three years. After the shock of the Baring panic had subsided, the beneficial effects of the McKinley tariff law began to be felt and with increased exports, largely of grain, in the succeeding year, together with ample protection for home industries, we were ushered into 1892 under very auspicious circumstances.

Bountiful crops again provided a basis for what developed into a wonderfully prosperous year. During the year, Jay Gould (largely through the aid of his son George), by one of his characteristic strokes, succeeded in obtaining control of the Union Pacific system, while Mr. Huntington was thinking the matter over; but his personal control was not to last very long, for in December of that year, Mr. Gould died, after a career of great activity and venturesomeness, which has elsewhere been reviewed in this book.





J. B. Clews

The Democratic party still clung to their idol, and Mr. Cleveland was renominated for the presidency in 1892, and by one of those inexplicable turns of public opinion which foolishly wished a change of administration in the midst of prosperous times, he was elected, and returned to Washington the following March, be it said, enjoying the confidence of the great majority of the people. Almost from the time of that election, the Wall Street markets were depressed, the fear of free trade measures being the basis of distrust. Late in the year, the Treasury's stock of gold began to show signs of diminishing, and with the exception of a few rallies, one notably in the following January, prices continued on the downward course. Co-incident with the decrease of gold reserves arose reports of a disposition on the part of the Secretary of the Treasury to interpret the word "coin" in our Government obligations as allowing the redemption of the bonds in either gold or silver at the option of the Government. The effect of any doubt or question upon this most important subject could only result in unsettling confidence; of which Addison speaks as the "high priest in the temple of trade." For the first time in very many years, our Treasury operations showed a deficit, and things were going from bad to worse. The first great smash in prices occurred in May, when the famous Cordage Trust went to pieces. At the same time, Sugar stock and the remainder

of the then few industrial shares took part in the sharp decline. The gold reserve had by the middle of the year reached alarmingly low figures, so that the pressure of public opinion compelled the calling of an extra session of Congress for the purpose of repealing the silver purchase clause of the Sherman law,—which had proved to be a veritable "Old Man of the Sea" upon the back of the country, threatening to throttle business interests everywhere.

The Congressional procrastination, and obstructive tactics in the Senate worked havoc with trade and finance, and when relief finally came in the repeal of the silver purchase clause, the vitality of the patient had sunk so low, that it was a matter of years before returning health, in the form of confidence, brought back our native buoyancy and push. It became necessary early in the following year to issue $50,000,000 worth of bonds in order to keep the gold reserve from getting too near the vanishing point. Tariff agitation, which had been started by President Cleveland's message to Congress in December, 1893, upset all the calculations of business men, who hoped, after a disastrous summer, that the tide had turned. But, no sooner was the fear of a silver deluge quieted, than revenue reform brought on another period of anxiety and delay. Fortunately when that distorted measure (with its 640 Senate amendments) which bore the name of the late William L. Wilson, a man of deep thought and the highest integrity, did become a law in the following year, it was not burdened with an income tax.

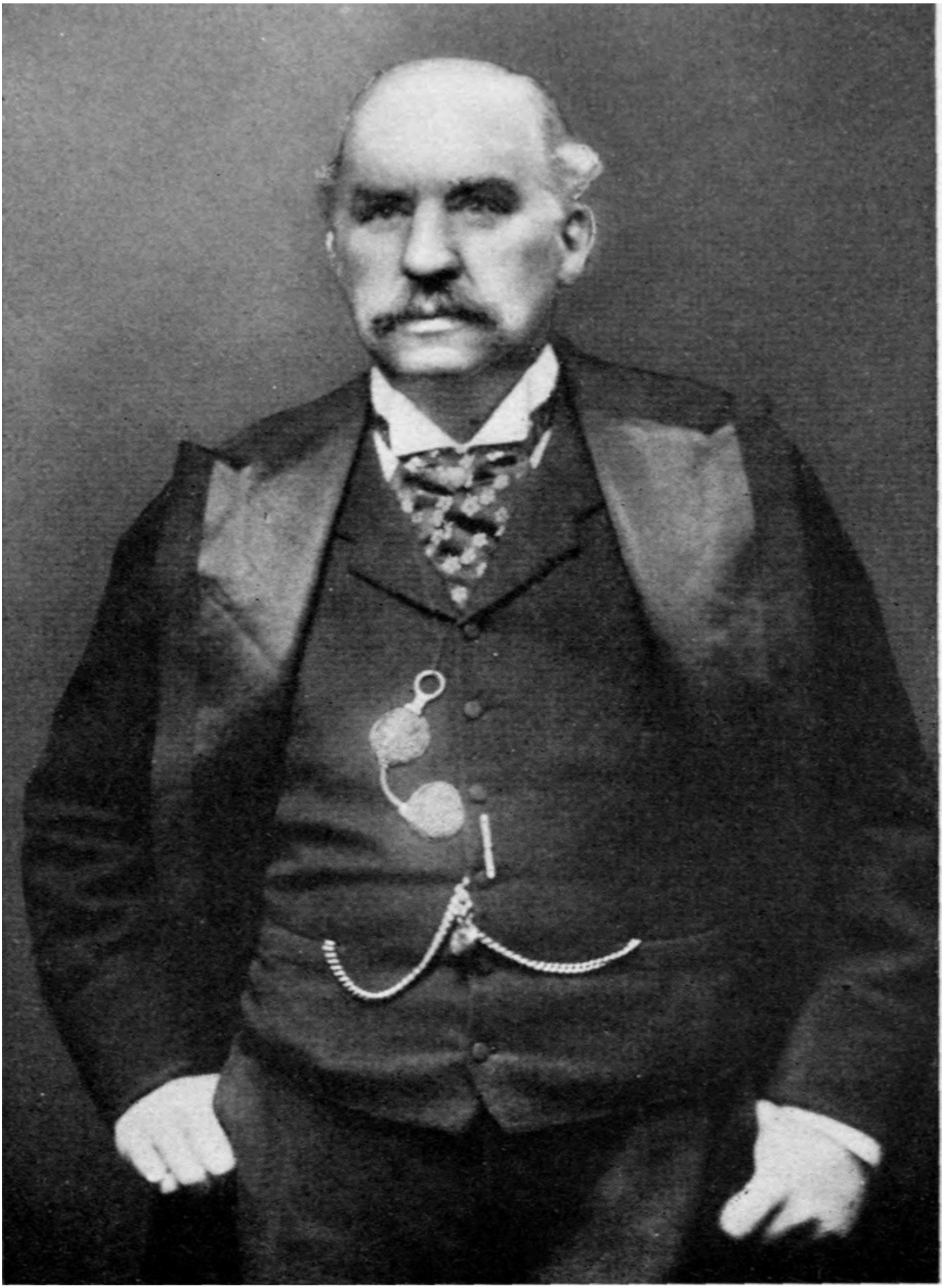
There are those who argue, probably to their own satisfaction, that this latter is an equitable form of taxation, but it has always appeared to me as putting a premium on idleness by taxing thrift.

Another issue of $50,000,000 bonds was necessary before the year was out, and in spite of this replenishment, gold exports to pay our debts to Europe for securities sent back to us by the ream, continued in such volume as to render a further issue imperative in the following February. This will be remembered as somewhat unique in our Treasury operations, being in the form of a purchase of 3,500,000 oz. of gold, which cost the Government $62,500,000. The famous syndicate which undertook the delivery of the precious metal, agreed to do all in its power by the further deposit of gold in the Treasury and as far as possible, a control of foreign exchange rates to keep the reserve intact. Its powerful aid unquestionably saved the people from many more business disasters, by a bolstering up of confidence in the power of the Government to pay its debts. The syndicate lived up to its agreement fully, depositing in the month of August some seven and a half millions of gold.

One scarcely hears mentioned nowadays the name of that poor fellow whose fabulous fortune (on paper) finally proved too burdensome for his uneducated mind. Barney Barnato was in his way a picturesque character, and a most vivid illustration of the overthrow of mind by matter, when the former is not in control.

The sharp break in South African shares in the London market during October, of course exerted a sympathetic influence here; but worse things were yet in store for us. Our President's famous Venezuela message to Congress in December, 1895, acted like an earthquake—which shook the markets to their very foundations and engulfed hundreds of millions of values before it subsided. The final outcome of the dispute between England and Venezuela has to a very great extent vindicated the former's claims. Let us, however, look upon the whole matter as a step forward for civilization in the advancement of the principle of arbitration, the true solution of all international difficulties. In 1896, we did finally reach the end of our troubles, though not without much worriment. A further bond issue of $100,000,000 to meet deficits, brought that total up to $262,500,000 issued in two years. A rather expensive administration, but "troubles come not singly, but in battalions."

The Presidential Campaign just past, with the same nominees at the head of the respective parties, recalls the wild free silver talk of four years ago. Panic and depression succeeding each other had left the people almost hysterical. After Bryan's nomination in July, gold hoarding was the order of the day. Of course the effect of this on the money and security markets meant, under the circumstances, another downward plunge in prices. New York Central sold at 88, the lowest price in the past fifteen years, and C., B. & Q. at 53, the lowest price in nearly forty years, and all other stocks sold down in the same proportion.



I have said that we reached the end of our troubles in 1896, but the end did not come till the November election, which showed that William McKinley, "the advance agent of prosperity," had been elected President. The nomination of William J. Bryan, hitherto a comparatively unknown man, but who electrified the Democratic National Convention by his specious eloquence, the eloquence of a political Belial, able, in the Miltonic phrase, "to make the worst appear the better reason," whose famous phrase, "you shall not press down upon the brow of labor this crown of thorns, you shall not crucify labor upon a cross of gold," swept the convention off its feet and made him the nominee for president, was a blow that for a time seriously disturbed Wall Street and commercial circles everywhere. Mr. Bryan called for the free coinage of silver at the ratio of 16 to 1, and by his tireless activity in stumping the country created a feeling of depression that reached the pitch of panic and left the people almost hysterical with fear. But as Martin Van Buren said on one occasion, "the sober second thought of the people is never wrong and is always efficient." The sober second thought of the people carried the day. Crowds might flock to hear the orator, but they voted with the party of prosperity and honor. The carefully written speech of Mr. Bryan, a speech which, for once, he read from his manuscript in the great Madison Square Garden meeting, did not deceive the people; it fell flat.

With Bryan's fiasco in this city, the clouds finally began to break. How plainly the record of these four years shows the absolute domination of the markets by Washington. And not of the financial markets alone by any means, but of the whole business interests of the country, which finally were well-nigh paralyzed by four years of increasing anxiety and wonder as to what might happen next.

It is gratifying to turn away from that period of distress to the succeeding years of prosperity. The vindication of the good sense of the people in the election of William McKinley did, at last, turn the tide; and for good and all, let us hope. With an unquestioned currency basis, improvement became possible. We were greatly favored too, in the first year of Mr. McKinley's administration, by bountiful crops at a time of shortage in Russia, France, and the Danubian Provinces. It was a great year of prosperity for our farmers, who, through good prices, and the exportation of some 120,000,000 bushels of wheat, were enabled to pay off mortgages in wholesale fashion, and herein we see the beginning of present good times. Furthermore our export trade showed great increase. As was to be expected, there was a great rush of importations just prior to the passage of the Dingley Tariff Bill in July, and a consequent decline in revenues immediately thereafter; but the completed record of its operation up to the present time is a splendid tribute to the wisdom of its author. The Supreme Court

decision in 1897 in what was known as the Trans-Missouri Case, declaring all railroad pooling illegal, proved somewhat of a shock to the market, but with improvement in business, our roads soon found enough traffic before them to more than go ‘round, without worrying about its division.

The year 1898 began very favorably with large gold imports and easy money. Cuban affairs, which had begun to threaten late in the previous year, finally culminated in the outbreak of war with Spain in April.

The condition of things in Cuba having become a reproach to the civilized world, this Government, acting for the conscience of Christendom, directed that the war which Spain was waging against the Cuban revolutionists should cease, with all its indescribable horrors, its barbarous cruelties to women and children, and as Spain did not heed the warning, our Government intervened in the interest of common humanity, an event which marked a distinct advance in the history of the human race, for history makes no mention of any war waged on such a scale in behalf of the cause of humanity. Certainly never was a war more clearly justified or one which showed greater courage on the part of the intervening nation, for there can be no doubt that more than one of the Continental powers of Europe would have been glad to side with Spain and would have done so, but for the emphatic negative of Great Britain.

Naturally there ensued a period of depression, but it was short-lived. The ensuing months of activity and buoyancy surpassed anything of the kind in our history. After the apprehension as to how the business world would adjust itself to war conditions had passed away, business began to boom all over the country. We were on our feet again with financial health restored. That wonderful boom in the stock market, begun in the summer of 1898 and lasting until the spring of 1899, will not soon be forgotten.

It seems more like a dream than a fact that trade and commerce and financial operations could swell to such well-nigh inconceivable figures, revealing a degree of prosperity almost past belief, like some marvelous good fortune of an individual in a Persian tale, favored by good Genii, actual fact rivalling fancy or throwing it far into the shade. In other words the oldest and most experienced merchants and financiers in this country were astounded at the degree of solid prosperity attained by the great Republic, the lion’s whelp, rivalling or surpassing the strength of the old lion, the mother country across the sea.

To the late Ex-Governor Flower belongs the credit of fearlessly taking the initiative in that marvelous rise in values to which I shall revert later on.

The formal close of the Spanish war gave fresh impetus to trading and prices kept soaring well on into the spring of 1899. The year 1898 has the distinction of marking the beginning of the greatest era of trade combinations, those gigantic commercial engines, that the world has ever seen. The capitalization of those inaugurated during 1898 and

1899 reached the fabulous aggregate of $3,500,000,000. The mind is staggered by the possibilities of enterprise which such a sum suggests.

The tendency towards centralization in the railroad world was first shown in the merger of the Lake Shore road with the New York Central.

The year 1899 was one of great prosperity, the greatest since we have been a nation, albeit its close was marked by one of the worst semi-panics the Street has ever experienced. In order to account for some of the most important features of the panic of December, 1899, it is necessary to take a glance backward at certain great financial events of the year even as early as April.

In that month was formed the famous Amalgamated Copper Corporation, a creation of the Standard Oil magnates.

The capital stock of the company was $75,000,000. The shares were said to be subscribed five times over. Owing to its parentage, the stock became popular, and was sustained at par for some time, but scarcely two months had elapsed before a break of 25 per cent. in the price occurred.

This break was regarded as a rather suspicious circumstance, and was supposed by the "knowing ones" to be a part of the deal. The Amalgamated Company was a mammoth combination, comprised of large share interests in over 30 companies, the famous Anaconda of Montana heading the list, and being the most prominent

The panic fell most severely upon the copper companies, the shrinkage on the share capital of which for the year is alone estimated at nearly $200,000,000.

Besides this, the currency movement to the South and West had been unusually large and prolonged, and finally tightness of money brought about an immense drop in the entire stock market. But with general conditions prosperous all over the country, such panics happily do not leave lasting scars.

The last year of the wonderful nineteenth century has been a remarkable one in our history. Since the first defeat of the silver agitators in 1896, our financial strides have been so rapid that it seems now a question of but a short time when New York will be the financial centre of the world. What a contrast between our position in 1900, and that in 1895, when we were knocking at the door of Europe with bonds for sale to provide running expenses for our Government. To-day England finds it to her interest to place $25,000,000 of her war loan with us, Germany asks for $20,000,000 of American gold, Russia is seeking to borrow from us and Sweden has not gone empty-handed away. And these accommodations have been accorded without causing so much as a ripple in our money markets. The source of such plenty is of course found in our wonderful increase of exports. For ten months of this present calendar year, the trade balance in our favor approximates $500,000,000, making, in the past three years, the vast total of fifteen

hundred million dollars balance to our credit. There we see both the lever and the fulcrum with which to move the financial world.

A little over a year ago occurred the death of Cornelius Vanderbilt, the grandson and namesake of the Commodore. Here was a gentleman whose charities were almost boundless. His gifts to the people through art and in many other ways were princely, but perhaps his memory is greener in the minds of those who, through his great private charity, were lifted above want.

These great latter day fortunes have not often failed, in this country, in being administered by men whose conception of life, and of duty toward their fellow men has turned the duty into a pleasure. This is a very great tribute to American citizenship and should not be forgotten or lost sight of by our sometime critics.

The passage of the Currency bill in March, 1900, undoubtedly did much to increase Europe's faith in our monetary stability and, furthermore, the result of the Presidential election of 1900, the triumph of the party of sound money seems to preclude the recurrence of any attacks upon the financial honor of this country. There has been a campaign of education going on in this country ever since the advocate of the free and unlimited coinage of silver at the ratio of 16 to 1 first promulgated his doctrines. The benefit to the people of this knowledge of public affairs is clearly apparent. They will have none of false theories and suicidal experiments, they will not go after false financial gods, they will not bow the knee to the Baal of repudiation and confiscation.

While the modern method of commercial development is open to criticism in some respects, still I take it that the evils complained of are not those of very existence but are rather those of circumstance, and are open to correction by the will of the people. How often have we heard that these combinations stifle competition—but for how long? Does not their existence excite competition? Furthermore, their management calls for the very highest ability and creates a keen intellectual competition which cannot fail to be of educational value at large. It remains for ensuing years to provide correction for those defects which are bound to appear in any new and untried system.

We end the century that almost covers our national existence with a past record and prospects unparalleled. We enter the new century full of faith in our institutions, that have stood severe tests even in our short life, and full of hope for even greater national achievements. We are fast taking the lead in the affairs of nations as well as in the affairs of commerce and finance, and have need of great steadiness of character, and fixity of national honor, which now seems assured for all time. It augurs well that we begin the twentieth century, which displays such vistas of greatness, at peace with all the world.

CHAPTER LXII.

BOOMS IN WALL STREET.

Wall Street has lately been enjoying quite a boom in some respects differing from any in its previous history. Probably the most interesting feature about this boom is that it is not in any sense spectacular. In that respect it is unique. Prices of many stocks are higher and intrinsic values greater than they have ever been before. The market has all the qualities that normally would cause intensest excitement and focus the attention of the entire country on the Stock Exchange. Yet in spite of these conditions, the Street is in a normal state of mind, and it is doubtful if the general mass of the people, who get their information from the newspapers are fully aware that there is even an ordinary boom in Wall Street. This unusual condition is due, I believe, to the fact that the boom we are enjoying is built on a foundation that reaches clear to the bowels of the earth. There is nothing unnatural or artificial about it. Wall Street is simply one of the centres that reflects the general prosperity throughout the country. Farmers, merchants, mechanics, mill workers, and miners are all so intent in keeping pace with the progress in their own pursuits that they have no time to cast eyes our way. The same conditions that are booming stocks, are booming everything else in the country at an equal rate, so that we are in nowise singular or deserving of special attention.

Photograph from Underwood & Underwood, N. Y.
JOHN D. ROCKEFELLER.

Another factor too, has developed in the Street that prevents the usual excitement and hurly burly incident to a rising market. This is the absence of a pronounced central figure, or controlling force. Usually a boom centres about some one man who stands boldly out in the open, or whose hand it is known is manipulating values. At present the manipulation is being carried on in a method that is as quiet as it is novel and unusual. That the market is being manipulated, is apparent enough even to the most casual

observer. But the source of this manipulation is probably known only to a few; all others are but students in the Street. They know that a new order has come, and that this order is due to the most powerful and resistless influence that has ever manifested itself in Wall Street. This influence is very largely composed of the Standard Oil Combination, who have introduced in their Wall Street operations the same quiet, unostentatious, but resistless measures that they have always employed heretofore in the conduct of their corporate affairs. Beside this group, every other man or combination of men that has ever operated in the Street are materially belittled by comparison. The heretofore conspicuously big operators that have flashed up and across the horizon, appear comparatively small beside the men who are running things for us now.

At his best, Jay Gould was always compelled to face the chance of failure. Commodore Vanderbilt, though he often had the Street in the palm of his hand, was often driven into a corner where he had to do battle for his life, and so it has been with every great speculator, or combination of speculators, until the men who control the Standard Oil took hold. With them, manipulation has ceased to be speculation. Their resources are so vast that they need only concentrate on any given property in order to do with it what they please. And that they have so concentrated on a considerable number of properties outside of the stocks in which they are popularly credited with being exclusively interested is a fact well known to every one who has opportunities of getting beneath the surface. They are the greatest operators the world has ever seen, and the beauty of their method is the quiet and lack of ostentation with which they carry it on. There are no gallery plays, there are no scareheads in the newspapers, there is no wild scramble and excitement. With them the process is gradual, thorough and steady, with never a waver or break. How much money this group of men have made, it is impossible even to estimate. That it is a sum beside which the gains of the most daring speculator of the past were a mere flea bite, is putting the case mildly, and there is an utter absence of chance that is terrible to contemplate. This combination controls Wall Street almost absolutely. Many of the strongest financial institutions are at their service in supplying accommodations when needed. With such power and facilities it is scarcely conceivable what these men must be making, what they can do on either side of the market. So far, fortunately, their manipulations have all been one way, upwards, and in conjunction with the general prosperity it has resulted in making large sums of money for nearly everybody in the Street.

Here and there we have heard of losses, some of them fairly large, but in comparison with the general money making these are hardly to be taken into consideration.

The last preceding boom that Wall Street enjoyed was as different from the present as it is possible to imagine. It had all the elements which this one has not. It centred about one man who stood out in the lime-light clear and distinct. It kept the Stock Exchange in a constant state of ferment. It filled the newspapers with column upon column of

sensational stories. It made millions for an army of retainers, on paper, and it kept the market jerking up and down for months. Roswell P. Flower, ex-governor of the State of New York, was the leader of the boom, and a more picturesque figure has never been seen in Wall Street, which is saying a great deal. Mr. Flower was an individual of very plain exterior. He often used language that was noticeable more for its force and directness and emphasis, than it was for polish. He had an ambling gait and looked like a well-fed farmer. He was rarely seen without a huge quid of tobacco that almost filled the left side of his mouth. Spittoons were an essential part of the furnishings of his office. His clothing hung on his person not unlike meal sacks. His hat was rarely brushed, and for days at a time, apparently, he forgot to shave. Altogether he was the last person, in appearance, who might be expected to lead in a district that is famous for its well groomed men. His education was certainly not collegiate; doubtless all his peculiar traits the ordinary man would have judged a handicap, still they were Mr. Flower's strongest aids. The lack of artificial polish gave people confidence in his statements. His limited education enabled him to think clearly along certain lines without being hampered with mental digressions, which would probably have come with a higher original mental culture.

As the administrator and manager of the estate of his brother-in-law, Henry Keep, he came into the Street twenty or twenty-five years ago. He in that way controlled a large amount of funds, which by conservative direction he increased very substantially. He scarcely ever figured in the speculative field to any great extent, until after he had completed his term as Governor of New York State. When he returned to the Street from Albany, he naturally came with a considerable prestige. Ex-governors of the Empire State are not very plentiful in and about the Stock Exchange. He also brought with him a large political following. In both of the great parties in New York State there are many men of standing and influence who like to take a flyer in Wall Street. Almost to a man they associated themselves with Mr. Flower, who, during his term at the capital had made hosts of friends with Republicans and Democrats alike, and this, though his party loyalty had never been questioned. He also had close associations with most of the big capitalists. After he had settled down to business, on leaving politics behind, Mr. Flower picked out several stocks as his specialties, Chicago Gas, Federal Steel and Rock Island being some of these. Under his manipulation all these properties went up and soon began to show a big advance, unusual strength and great activity. The bears made frequent assaults on his position and now and then pushed him towards the wall, but he always fought his way to the front again, and came out master in every encounter. When he had himself pretty well entrenched in the specialties he was handling, he suddenly plunged into Brooklyn Rapid Transit, and for months he kept things stirred up in a way that even Wall Street has not seen very often., He picked up the stock commencing at six dollars a share, and in an incredibly short time ran it up to over 138. Almost every politician in the State made a fortune on paper. Mr. Flower was

immensely popular with the Wall Street news reporters, who helped his boom along through the glowing accounts they wrote from day to day.

Under the impetus of the swirl in Rapid Transit, practically every property in the Street went flying upward, until the end did not seem to be in sight. The bears were beaten to a standstill every time they showed their heads, the only result of their attacks being that Flower stocks would jump up a notch higher. The ex-governor preached Americanism and confidence, until everybody believed that if a stock was only grounded, and the property located in America, you could buy it at any price and still be on the safe side.

That a terrible panic did not grow out of this boom was due only to one fact: Mr. Flower's sudden death. Had he lived thirty days longer, the bubble must have been pricked, and the result would have been disastrous. Mr. Flower went to the country for a day's rest, ate freely of ham and radishes and washed his frugal meal down with a copious supply of ice water; he naturally, in consequence, died in a few hours afterwards of an attack of acute indigestion; his death alone saved the Street.

The Rockefellers, the Vanderbilts and his other wealthy friends rushed into the market with millions and sustained values. They were in a position to attribute the threatened reaction to his death and pointed out the absurdity of letting such an incident affect the value of stocks. They discounted the break that must have come in the natural course of events under the forcing process that was going on. Reasoning such as this spread broadcast through the papers stopped the break. Where the bottom would have fallen out entirely there was only virtually a moderate break all along the line; why it was not worse was due to the market being bolstered up by the Standard Oil Combination and others with them coming to the rescue just in time to prevent a big smash. The small speculators operating on moderate margins were of course all wiped out almost to a man, but many of the big fellows were saved. It is probably the only instance on record where the death of a big operator saved a general smash. Those hurt were numerous politicians and small fry operators who instead of getting away with snug fortunes in the shape of profits, lost their all.

An interesting circumstance of the Flower boom was developed involuntarily by young Joe Leiter. Leiter himself, although he had gone to the wall some time previously, indirectly had brought about certain conditions that served Mr. Flower's purpose admirably. These conditions were the general release of hundreds of millions of dollars on mortgages on farm lands. When Leiter began to corner wheat, it was ruling down in the neighborhood of sixty cents a bushel. He lifted it to considerably over a dollar before he went broke. This enabled thousands of farmers to realize on their crops at the dollar figure and above, which brought prosperity almost over night to the wheat growing belt. With the money realized from their wheat the farmers paid off their mortgages to the extent of two or three hundred million dollars. These mortgages were

generally held in the East. This released that much Eastern capital, causing that vast volume of money to seek investment. The men controlling this money were overjoyed when Mr. Flower made an opening for them through the Wall Street boom, and hence it was a comparatively easy matter for a time to push up values.

J. Pierpont Morgan, now a noted character, was trained as a clerk in the one-time famous banking house of Duncan, Sherman & Co. Later he made a connection with Anthony J. Drexel, probably the wealthiest banker in his time in America. Out of this grew the house of Drexel, Morgan & Co., with Mr. Morgan as the managing partner in New York. When Mr. Drexel died, Mr. Morgan absorbed the entire business, and a few years later when his father died, Mr. Morgan became the head of the London house of J. S. Morgan & Co. as well. This put him in a very prominent position. He soon thereafter demonstrated his influence by reorganizing the bankrupt Richmond & West Point Terminal Railway & Warehouse Co., changing its name to the Southern Railway Co. A number of small roads were added to it, many of which were in financial straits, and practically all of them had been badly managed. He combined them into one system under the one head. This railroad combination is now one of the great properties of this country. Mr. Morgan next turned his attention to the reorganization of the Reading and the Erie roads, which were in a bad way. He soon produced order out of chaos there, and that resulted in a boom in railroad stocks all along the line. He had several sharp tussles, however, with some of the big stock holders, who tried to stand out against him on account, as they thought, of his plans being too drastic; and during these tussles he not infrequently resorted to the usual methods to break values, buying at the reduced prices so as to strengthen his control.

The people who followed Mr. Morgan's lead in these transactions generally made money.

A different sort of deal was engineered a few years before by S. V. White, popularly known as Deacon White, because of his position as deacon in Plymouth Church. Mr. White is one of the oldest operators in the Street, and one of the most striking figures. He has made half a dozen great fortunes in speculation and lost them, but he is as undaunted as ever, and in spite of the fact that he is now over seventy years old, he is still active daily in the market.

Probably one of the most unique stock deals ever carried out in the Street resulted from the transaction of Joseph Bannigan when President of the Rubber Trust. The history of this deal which for a time resulted in a great boom in industrials, has never been told, and is known to but very few persons, most of whom, by the way, were its victims.

Bannigan was an uneducated Irishman who could hardly read and write. He commenced life in a New England rubber factory and worked for $1.50 per day and died worth five million dollars. He was shrewd and bright and knew the value of

money. He saved to such good purpose that when the Rubber Trust was formed he was at the head of one of the biggest factories in the country, located in Providence. His knowledge of the trade was so thorough that despite the fact that he almost invariably used small i's in writing a letter, he was made President of the Trust, his holdings amounting to about forty thousand shares. When matters had been moving along for some time, Bannigan made up his mind that the other men in the trust, the big fellows, were not treating him right, and that the best thing he could do was to get out. So he packed his stock certificates in a grip sack, left Providence on the night boat, landed in New York bright and early, had his breakfast and then made a bee line for a stock brokers' office. He had assured himself in advance that this stock broker was to be relied on and told him frankly what he intended to do.

"I want to sell out bag and baggage," he said. "I want to get rid of every one of my forty thousand shares. Here they are, put them on the market and sell them." The stock broker told him that that would never do. If he wanted to realize full value for his holdings he would have to go about it in a different way, for if he threw his forty thousand shares into the market it would knock the bottom out and he would get little or nothing for his stock. Mr. Bannigan saw the point, and asked what he was to do.

"Buy," said the broker.

"But I don't want to buy; I have got more now than I want."

"That is all right; buy anyway, that will make a market for the stock, and then you can unload when the time comes."

"How much must I buy?"

"Oh, about $250,000 worth."

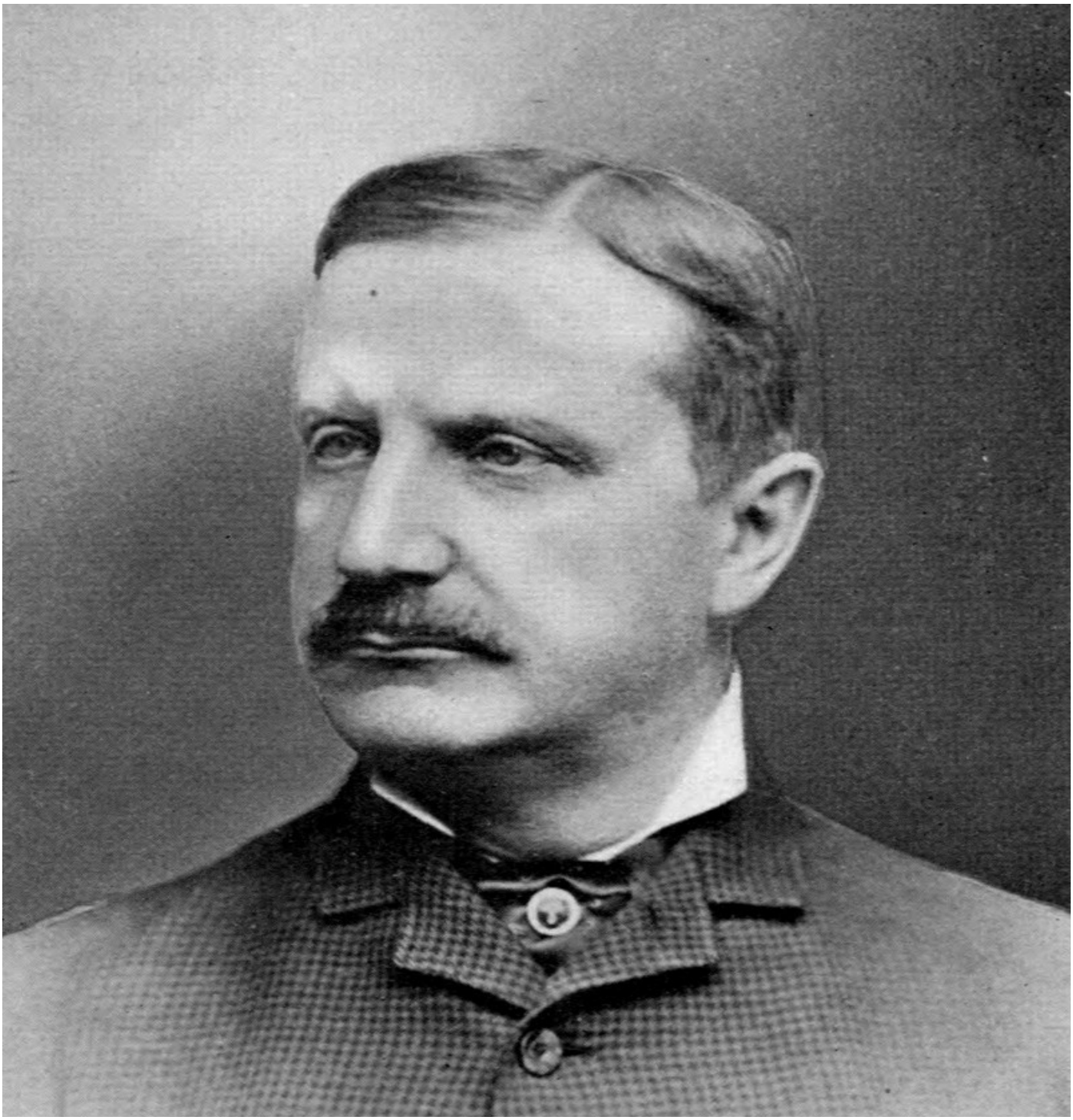
"But I have not got $250,000 in cash to go and buy Rubber stock."

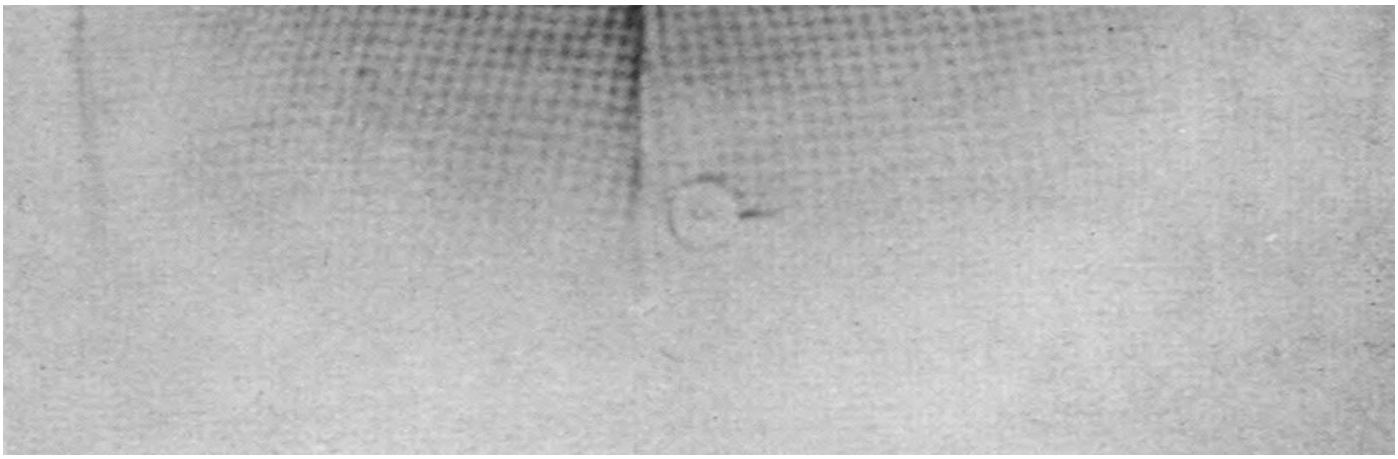
"Well, you can borrow it; a man in your position, Mr. Bannigan, would have no difficulty in borrowing $250,000."

Much against his will the old man was finally persuaded to do as he was told. About two weeks later the broker wrote to him that he must buy some more, this time, $200,000 worth. Mr. Bannigan used rather strong language, but finally yielded as he had before. He borrowed $200,000, and turned it over. With this additional capital to work on, the brokers continued to manipulate the market. The insiders soon discovered that some strong party was buying; but they did not know who, Bannigan having carefully kept himself in the background. His brokers operated skilfully in the stock, one day buying, the next, selling to keep the stock active. The brokers after awhile commenced to borrow large amounts of the stock. This convinced the insiders that there was a big short interest somewhere, and they got together in order to squeeze the shorts. The inside holders who held most of the stock, who had combined to squeeze the shorts out,

as they thought, put the price up to 61, and at about that figure Bannigan's was all unloaded. Bannigan now found himself full of money and the other fellows had his stock. They never awakened to the fact that the President had sold out on them until his shares were delivered against their purchases, as they thought, of short stock. Rubber soon thereafter did not stop tumbling until it had gone from 61 to 16. This deal had all the elements of a comedy-drama and the playwright who can do it justice will find material there which will make him an everlasting fortune and reputation. I have touched but lightly on a few of the important incidents. It is not often, however, that newcomers in the Street fare as well as this in the end. For a time they will go on merrily enough, and send things booming; but in the end many get the worst of it. A. B. Stockwell is a good illustration of the truth of this. He is still around the Street somewhere, but is one of the "has beens," like numerous other former conspicuously large and supposed to be brilliant operators. At one time he was worth many millions of dollars. To-day, he is upside down. His start in life was as purser on a Lake Erie steamboat; his father, it is said, kept a livery stable in Cleveland. On one of his trips, Stockwell was in a position to show considerable attention to Elias Howe, the inventor of the eye at the upper end of the sewing machine needle. Mr. Howe was accompanied by his daughter. Stockwell made himself agreeable to Miss Howe also, and with such good effect that he managed to win her affections and soon thereafter married the young lady. When Mr. Howe died, Mrs. Stockwell came into possession of her father's millions. With this nest egg Stockwell started in Wall Street, and before anyone realized what had happened he was the most talked of man in the district. He put all his wife's millions into Pacific Mail stock, and secured entire control of the Company. He came into the Street as plain Stockwell, then as the news of his liberality and good fellowship spread, he became Mr. Stockwell; after he got hold of Pacific Mail he was Commodore Stockwell, by common consent. Everybody bowed and scraped to him and no man was so high and mighty that he was not proud to shake his hand. Stockwell took hold of Pacific Mail at about 40 and sent it up to 107. It was at this period that he was worth over fifteen million dollars; but he found, unfortunately, when it was too late to retreat, that while Pacific Mail was up to 107, it was not worth that figure when the unloading commenced. He was landed high and dry with it all and the Street told him he was welcome to it. He tried to sell, and found that there was no market. Then came violent demands on him to pay up his numerous call loans, and in order to respond thereto, he had to sell regardless of price and thus created a whirlpool, which finally sent the stock down to the price at which he commenced his original purchase at 40. In this one upset, he lost all his paper profits and his wife's millions besides. This catastrophe not only stripped him of all his worldly possessions, but reduced him to the position of being plain Stockwell again, and there are many also who even go so far as to call him "that little red-headed cuss." That was the most famous boom in the history of Pacific Mail, notwithstanding Leonard Jerome's previous brilliant ups and downs in that former erratic property.

Leonard and Addison Jerome had a good time with Pacific Mail for a while. They ran it up to high figures several times; but finally meeting with the same experience that Stockwell did. The two Jeromes from being among the wealthiest and most dazzling operators in the Street, were in the end practically wiped out. Leonard Jerome, who was the father of Lady Randolph Churchill, had nothing left to bequeath his daughter except an equity in the house now occupied by The Manhattan Club on Madison Avenue, which yields an income of about $15,000 a year, of which Lady Churchill gets $10,000.





WILLIAM ROCKEFELLER.

These are a few of the booms that have stirred up things in Wall Street at one time or another, as did the Keene booms, of which there were several, the Gould booms, and the Vanderbilt booms, all of which have been referred to in previous chapters in this book.

The question of trusts or trade combinations has, in recent years, excited a good deal of interest. One of the most interesting figures in this connection is John D. Rockefeller, who will undoubtedly be regarded by the future historian as a striking character in the business history of the nineteenth century. And be it remembered that history now concerns itself, not so much with the doings of governments; not so much with the personalities of emperors, kings, presidents or even with political parties, as with the life of the people themselves. This is clearly shown by such historians as Lord Macaulay and John Bach McMaster. And looking at history in this way, surely John D. Rockefeller must be regarded as one of the most interesting types of the great commercial powers of the day. He was a pioneer, a commercial Daniel Boone, striking out into a new and untrodden field of enterprise, taking great risks, undergoing grave financial perils of a novel kind and at length winning a complete and lasting success—a success which has filled business history with his achievements and the world with his fame. It was a great stride from the little farmhouse in Tioga County, New York, to the place which he fills to-day. Born in 1838 he is now in the prime of life. Reared by strict, church-going people, his word is as good as his bond; he is the soul of business integrity, and a striking example of what thrift, enterprise and persistency will do for a young man who starts out in life with apparently little or no chance of success. His old schoolmaster, it seems, was the first to get the young man to look into the refining of petroleum. Not so many years ago, they used sperm oil, and it cost $1.50 a gallon. How to refine the thick, ill-smelling oil found in the water courses of Pennsylvania was a problem. It was black slime, and John D. Rockefeller, by hitting upon a method of refining it and introducing it in the home throughout the world has made a fortune that

recalls the fable of Midas. Before he was twenty-one he formed a partnership with a man named Hewitt and at first engaged in the warehouse and produce business. Then came the great oil craze in Pennsylvania. Poor farmers suddenly became rich; thousands flocked to the oil fields. Young Rockefeller kept his head. Asked to make investments in oil wells for Cleveland friends he dissuaded them from the project on the ground that the thing was being overdone, and with Samuel Andrews, who was familiar with the general processes of distilling, engaged in the refining branch of the petroleum trade. The firm subsequently became Rockefeller, Flagler & Andrews, which rapidly expanded its field of operations, and in 1870 organized the Standard Oil Company with a capital of $1,000,000. It started pipe lines to ship the oil to the seaports. It made millions in by-products once considered worthless. It established markets all over the known world, cheapened its methods of production and outstripped all competitors. Little wonder then, that its "extra" dividend in the year 1899 amounted to $23,000,000 over and above the regular dividends on the whole capital stock. Mr. Rockefeller attributes his success to early training and perseverance. That is, like other men who have stamped their individuality upon the affairs of mankind, he is what is termed a causationist; in other words, he believes that nothing is got for nothing; that effects proceed from causes, and the cause of success he believes to be largely perseverance. He believes that perseverance overcomes almost everything, even nature itself, and in that opinion this practical business man is at one with the philosophers of antiquity.

He and his associates in the Standard Oil Company are naturally a power in the stock market. They are, of course, very large holders of railroad stocks and bonds and at times their influence is as irresistible as the laws of gravitation. John D. Rockefeller's influence alone could be so, as he is supposed to be the richest man in America and indeed the richest man ever known in human history. His is believed to be the greatest fortune ever accumulated by any man within his own lifetime. That he feels the responsibilities of his great wealth is obvious from his munificent gifts to educational and charitable institutions, to churches and to a hundred other praiseworthy objects. His princely donations to schools, colleges and universities rival those of that other public-spirited citizen, Andrew Carnegie. They are equally strong in their belief that the greatest charity lies in helping others to help themselves.

CHAPTER LXIII.

A GLIMPSE INTO THE FUTURE.

I believe that it would be difficult to set bounds to the possibilities of American development. The inventive genius of the people, their adaptability to all circumstances, their tenacity of purpose, their wonderful energy, and the fabulous resources of the country all make it certain that the United States will reach a degree of power and prosperity hitherto unexampled in human history. Carlyle's "French Revolution," has been strikingly described as "history read by flashes of lightning," and I am tempted to use the same language in describing the commercial revolution which has taken place in this country during the last few years. Great as it is, however, I think it merely a prelude to what is to come. We are destined for one thing to have a great Pacific trade. Fifty years ago, Humboldt said that the day would come when the trade of the Pacific Ocean would be as great as that of the Atlantic. And the increase within a year or two in this commerce augurs well for the ultimate fulfillment of the great scientist's prophecy. We readily adapt ourselves to the requirements of foreign markets and that is a very important point. Lord Charles Beresford bears testimony to this fact. He says with truth that Americans find out what the foreign markets want, then they supply it. The English say in effect, "We know what you want better than you know yourselves." The American sends the Chinese thirty-inch-wide calico, which is what they want; the Englishman sticks to twenty-seven inches, with the remark expressed or implied, "Take it or leave it." And the Chinese will leave it rather than take it and the American manufacturer will be the gainer thereby. Minister Wu's recent remarks on the necessity of finding out just what the Chinese want and then conforming to their wants, cannot be too carefully borne in mind. Furthermore, we are ready to adopt the newest and most highly perfected machinery regardless of cost. Mr. Carnegie, for instance, on a single occasion discarded machinery which had cost him $2,000,000, and replaced it with the latest which inventive genius could supply. The London engineering journals, on the other hand, admit that the British manufacturers will not change their machinery no matter how apparent it may be that they are being distanced by their more progressive rivals in this country. They reason that they have put just so much money into the "plant" and must get just so much out of it before they will replace it. This seems a good deal like the ostrich

which thrusts its head into the sand and refuses to look danger in the face. In the meantime the British are left behind in the race and Glasgow merchants have to try the puerile and utterly futile device of getting up a boycott against American steel and iron products. Such a device, under the circumstances, seems a good deal like the attempt of the celebrated Dame Partington, as the famous English wit Sidney Smith describes it, to sweep back the Atlantic Ocean. She trundled her mop vigorously and made a gallant onslaught, but the Atlantic was aroused and it is needless to say who was the victor. And the American iron trade's invasion of English markets must result in a victory, unless there is a radical change in conditions, which no one can now foresee. We study the markets; we take pains to ascertain their wants, and it is an axiom of trade that a man or nation that supplies the demand, whatever it may happen to be, gets the trade. This is a law as inexorable, as unchangeable as the laws of the Medes and Persians.

We are now one of the five great world powers, financial and political, with a population second to none except Russia. That is to say, we have a population of 76,300,000, Germany has 55,000,000, Austro-Hungary 45,000,000, the United Kingdom 41,000,000, France 39,000,000, Italy 32,000,000, Spain 20,000,000, Russia 136,000,000, Japan, 45,000,000, India 340,000,000, China 400,000,000. The Mongolian race is numerically powerful, but in the long run can the yellow race stand up against the white? I doubt it. Meantime the population in this western home of the Caucasian race is steadily increasing. In 1800 the United States had a population of only 5,308,483. It is now 76,304,799. Then we had sixteen states. Now we have forty-five. Then our territory consisted of 909,050 square miles. It is now 3,846,595 square miles. We have practically a new race made up of an amalgamation of all branches of the Caucasian race, speaking the English tongue, which in my judgment is destined to be the one tongue spoken in the world. It is a people determined to uphold just and equitable principles of trade and to have sound money. The amount now in circulation is $2,074,687,871, or an increase within three years of $400,000,000. Russia has only 26,000 miles of railroad; we have 190,000. In the last fifteen years we have made more progress in the things which tend to increase practically the term of human life by annihilating time and space and supplying necessities and comforts of one kind or another than ever before in our history. We are told that what does not happen in a year may happen in a minute. Similarly what might not have happened in a thousand years under adverse conditions, has happened in fifteen.

What of the future? In the language of Daniel Webster, "the past at least is secure." We see that the bank exchanges which in 1888 were $48,750,886,813, have risen in 1900 to approximately $92,000,000,000. During four years of a sound money Republican Administration, exchanges in our clearing houses steadily increased from $48,750,886,813 in 1888, to the magnificent total of $60,883,572,438 in 1892. But from 1892, during four years of Democratic rule, our clearings fell from $60,883,572,438 to $51,935,651,733 in 1896, running as low as $45,000,000,000 in 1894. From 1896,

during Mr. McKinley's Administration, we gained on an average more than ten billions each year, the exchanges having gone up from $51,935,651,733 in 1896, to the surprising sum of $92,037,588,818 in 1900. From 1888 to 1892 during a Republican Administration, we increased our exports $317,787,505, reaching the then gratifying figure of $1,015,732,011. From 1892 to 1896, during a Democratic Administration, our exports decreased by $152,531,524, falling from $1,015,732,011 to $863,200,487. From 1896 down to June 30, 1900, with two months estimated, during McKinley's Administration, our exports have gone up from $863,200,487 in 1896, to $1,400,000,000, gaining $537,000,000, or nearly doubling; and of this vast export of $1,400,000,000 more than $400,000,000 are manufactured goods, and would require in their production more than a million of American mechanics.

From the fall of 1888 to the fall of 1892, during a Republican Administration, national banks gained in resources $694,400,000, going from $2,815,700,000 to $3,510,100,000. From the fall of 1892 to the fall of 1896, during a Democratic Administration, the national banks lost in resources $346,500,000, going down from $3,510,100,000 to $3,263,600,000. From the fall of 1896 to April 26, 1900, during McKinley's Administration, the national banks have gained in resources $1,548,356,000, going up from $3,263,600,000 to $4,811,956,000. The increase in both Republican periods was constant and gradual throughout, demonstrating, as has been well said, the influence and power of far-reaching politics which alone can bring about uniform and universal prosperity worthy the genius of the American people. The Republican party turned over the Government to the Democrats in March, 1893, with a bonded debt of only $585,029,330, and this was increased to $847,365,130, in times of peace. For the purpose of prosecuting the war the debt was increased in 1898 by $200,000,000, and now stands at $1,046,048,750, less such an amount of the twenty-five millions of 2 per cent. bonds as the Secretary of the Treasury may have already redeemed. During the last four years of Democratic administration, $201,003,808 of gold was exported; while during the first three years of the recent Administration, or down to June 30, 1899, we imported $201,071,000, making a difference in favor of Republican politics of $402,074,808. Look, too, at the per capita circulation in the United States. In 1802, it was $5.00; in 1845, $9.00; in 1873, $15.85; in 1892, $24.40; in 1900, $26.77.

As President McKinley pointed out in his message, our foreign trade for the fiscal year of 1900 showed a remarkable record. The total of imports and exports for the first time in the history of the country exceeded two billions of dollars. The exports are greater than they have ever been before, the total for the fiscal year 1900 being $1,394,483,082, an increase over 1899 of $167,459,780, an increase over 1898 of $163,000,752, over 1897 of $343,489,526, and greater than 1896 by $511,876,144. The growth of manufactures in the United States is evidenced by the fact that exports of manufactured products largely exceed those of any previous year, their value for 1900

being $433,851,756, against $339,592,146 in 1899, an increase of 28%. Agricultural products were also exported during 1900 in greater volume than in 1899, the total for the year being $835,858,123, against $784,776,142 in 1899.

The imports for the year amounted to $849,941,184, an increase over 1899 of $152,792,695. The increase is largely in materials for manufacture, and is in response to the rapid development of manufacturing in the United States. While there was imported for use in manufactures in 1900 material to the value of $79,768,972 in excess of 1899, it is reassuring to observe that there is a tendency toward decrease in the importation of articles manufactured ready for consumption, which in 1900 formed 15.17 per cent. of the total imports against 15.54 per cent. in 1899 and 21.09 per cent. in 1896.

The election of November, 1900, stamped out of the minds of the people all fear that any sort of governmental policy in any way inimical to the finances or business or prosperity of the country may be adopted. A very great factor in our future development, which our people are soon to discover, will appear in the building up of the ports of trade on the Pacific Coast, which will be so extensive and rapid in progress that the Atlantic ports will before long begin to feel the competition of the Western coast of our country. Our grasp of the Philippine Islands, and the foothold in trade and greater share of confidence in our disinterestedness as regards territorial encroachment which is fast gaining in the Chinese Empire, will finally consummate the preparations for as great business and prosperity for the Pacific coast States as have heretofore been enjoyed by those of the Atlantic coast. Soon a part of the trade and commerce of the Eastern States will be brought into competition with that of the great Pacific coast, insomuch that it will appear that indeed “Westward the star of empire takes its way.” It is the foresight of such change in the Pacific States that has helped produce such a pronounced electoral result.

Our country is now passing through a rapid growth of progress and power and prestige which will soon place her in the leadership of the nations, with every means necessary for extending civilization, enlightenment, commerce and better government over the world. We have come to the time when we must take up the mighty work of further cultivating and improving the condition of mankind, and we will continue this great work until our labors shall have brought to pass better conditions of government, co-ordination of interests, education, and peace and good will among the nations of the earth. In the progress of civilization since the dawn of the Christian era, the momentous task of leadership has devolved first upon Rome, then upon Spain, then upon England. It seems to have been reserved for the “Young Giant of the West” to complete the tasks undertaken, and assemble into one great community of interest vast national forces which have been the growth of centuries. In due time we shall no doubt finish the work and bring peace and good will to men in every part of the world and prepare men

everywhere to turn the spear into a pruning hook, the sword into a ploughshare and to give freedom and protection and prosperity to all sorts and conditions of men, and put an end to strife between the nations. We believe that such is the great office to which we have been called, and that our functions as the leading nation of the world have already begun.

ALL THE PRECEDING PAGES WERE
WRITTEN YEARS AGO, AND WHAT FOLLOWS
BRINGS THE WORK UP TO THE
DATE OF THIS ISSUE, MARCH 31ST, 1908.

CHAPTER LXIV.

MY CHRISTMAS ADDRESS TO CUSTOMERS DEC. 24, 1906.

You can now realize why we have for so long a period had a congested stock market. It started by the accumulation of Union Pacific by comparatively few people, the purchases being commenced in 1903, the panic year, when the price dipped to 65. By the time the stock touched 100 the accumulation was complete. Then the manipulation was begun for its advance to 190, at which time the ten per cent. dividend was declared, since which the process of distribution has been going on. St. Paul, Northern Pacific, and Great Northern have gone through a similar process. Prior to the declaration of the increased stock issues by these companies, the larger part of the old stock had been bought up by the inside knowing ones, after which the new issues were announced to the public. The profit to the holders of these stocks can be measured by the market value of the rights. Now we all know what the large holdings of these stocks meant. The inside magnates having nearly all of them, the outsiders were left out in the cold, and were consequently in the dark; but now the light of day flashes over the situation. You are asked to buy the rights which represent insiders' profits, all of which is water pure and simple. The accumulation of stocks has now ceased and distribution is under way, and that is why the market has this present fit of liquidation, which must go on until completed. Then the situation will have righted itself legitimately, and not until then. Remember what I tell you: that the accumulation of stock as I have described has produced the present congested money market, and the unlocking of the former will, after a short time, unlock the other; then all will be well again. The present turbulent waves will pass over without many shipwrecks, and then will come calm weather and a smooth sea. Patience is a great virtue; exercise it, and wait for bottom; then get in and get rich.

Gentlemen, this is my Christmas greeting to you. You all have my best wishes for a happy and prosperous New Year.

CHAPTER LXV.

EDWARD H. HARRIMAN.

Edward H. Harriman was born on Long Island in 1848. His father was a clergyman, and the family in poor circumstances. At the age of fourteen he left school, and began his business career in a Wall Street house. Of an aggressive and masterful character, with a great capacity for hard work and the ability to master every detail, he rapidly forged ahead. At eighteen he became partner in a brokerage house; at twenty-two bought a seat on the New York Stock Exchange. In 1883 he was chosen a director of the Illinois Central Railroad Company, and four years later, when he became its vice president, he retired from the brokerage business, having amassed what was then considered a comfortable fortune. For a time, while President Fish was abroad, Mr. Harriman was acting president of the Illinois Central, and promptly put into execution his idea that the way to make a road pay was to put it in the best of physical condition, and thus attract traffic by the ability to handle it, rather than by cutting rates. This policy afterwards brought the Union Pacific up from a financial and physical wreck in 1893 to the most aggressive and progressive railroad corporation of the day, operating, together with the Southern Pacific, over 15,000 miles of road, besides controlling the Illinois Central, Chicago & Alton, and St. Joseph & Grand Island Railroad companies and the Pacific Mail Steamship Company, and owning large interests in the Baltimore & Ohio, New York Central, Atchison, Chicago & Northwestern, and Chicago, Milwaukee & St. Paul roads. Mr. Harriman and his associates were defeated in an attempt to obtain control of the Northern Pacific in 1901, but the Union Pacific system benefited by this defeat, it is estimated, by about $60,000,000. The purchase of Northern Pacific in the open market forced the price of its stock up to $1,000 per share on May 9, 1901, causing the memorable panic of that date.

CHAPTER LXVI.

THE UPS AND DOWNS OF WALL STREET.

Illustrated by Personal Reminiscences of Its Leaders.

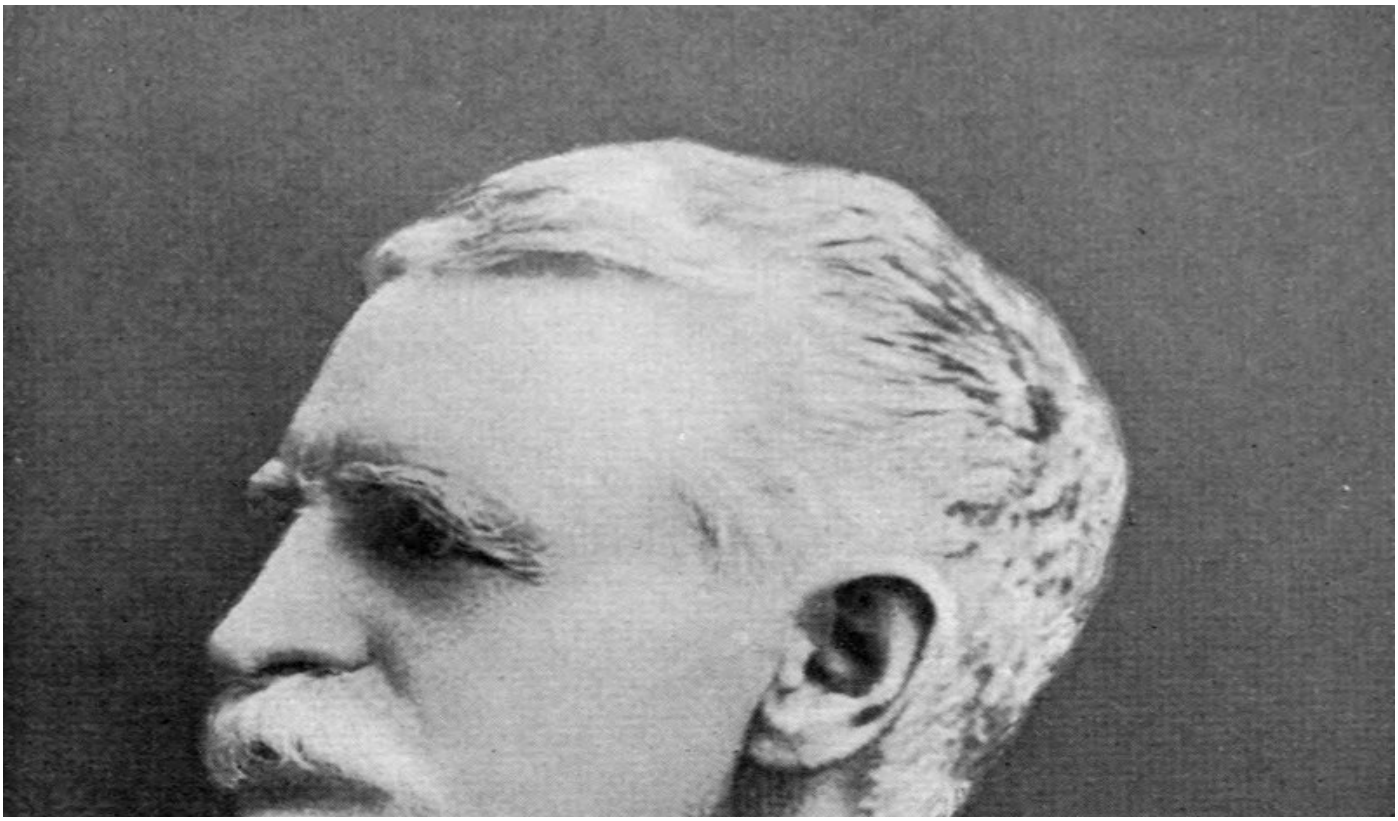
The mutations and vicissitudes, the ups and downs, of Wall Street can be best illustrated by sketches, from life, of the career and experience of its leading operators, who have often, though not generally, gone up like a rocket and come down like a stick.

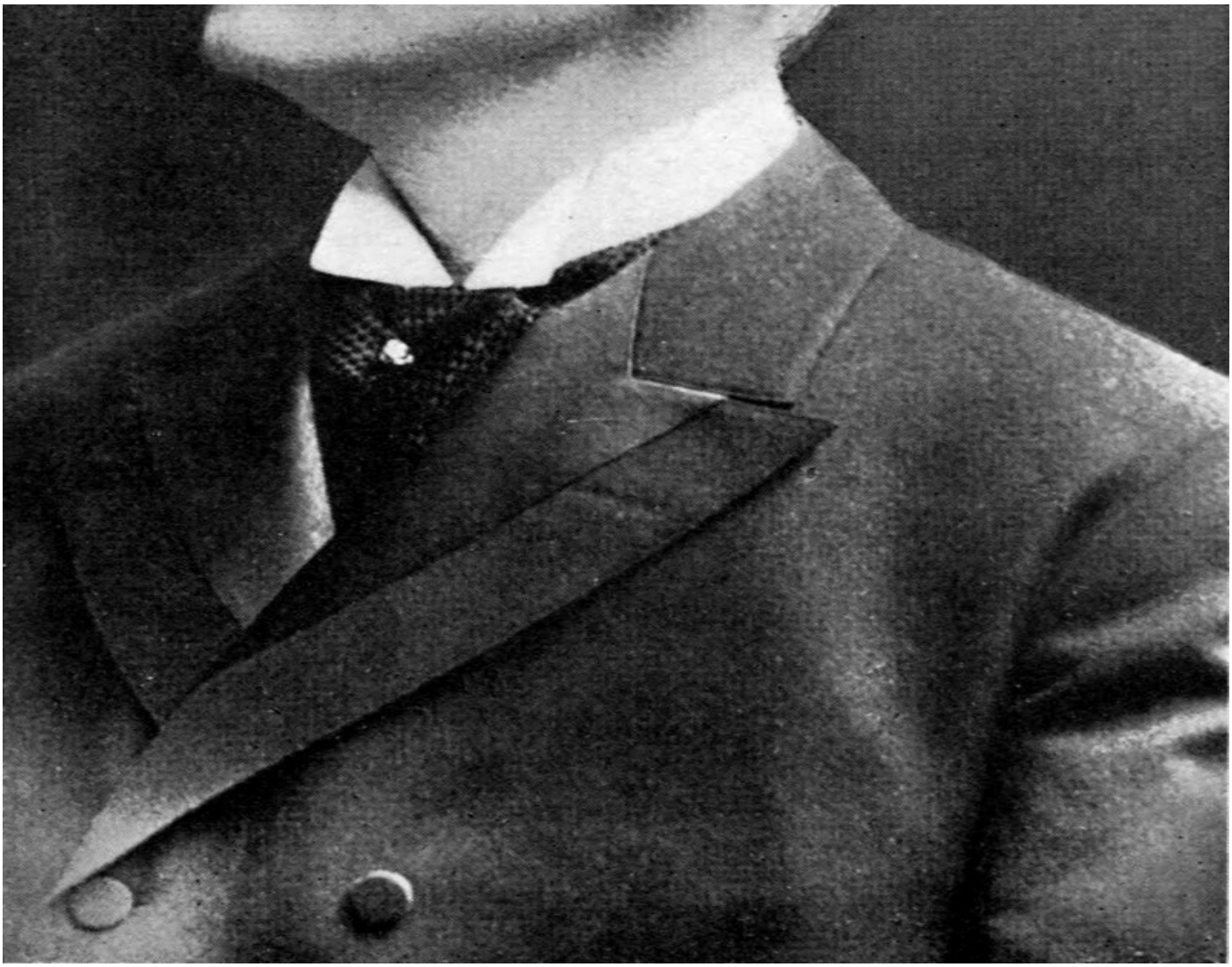
I will not begin with those now foremost in the Wall Street arena, but go back to Jacob Little, whose name is still a household word on the Stock Exchange.

He died in the sixties, while the war between North and South was raging, and he had gradually ceased to be a power in the Street after the panic of 1857. He remained a bear on the rising tide of currency inflation following the outbreak of the war, and was submerged and wiped out.

He was an odd fish—singular in appearance, manner, and business methods, but for more than twenty years he had a great name in Wall Street. To speak colloquially, he was the cock of the walk by self-assertion and common consent.

He was the successor of Jacob Barker, who came from Philadelphia, and was the first great leader Wall Street had known. He was trained in his office, and began as a stock operator on his own account in 1835.





HENRY H. ROGERS.

The panic of 1837 made his reputation and his fortune, for, being naturally a bear, he was largely "short" of stocks. That panic swept the whole United States with the besom of destruction, and sent prices down to zero. It left him a greater bear than ever, a preacher of distrust and a prophet of failure. He thrived on calamity, and grew richer and richer during the years of depression that followed that memorable revulsion.

From 1835 to 1846 he was in his glory and his prime, and no one disputed his leadership in the world of Wall Street. But then he met with a great reverse, not, however, through continuing to "bear" stocks, but through a "bull" operation in Norwich and Worcester Railroad stock. He attempted, with a Boston clique, to control it, and personally bound himself to the clique, in the sum of $25,000, not to sell his stock below 90.

He went to work to put it up, but it "bulled hard," and refused to stay up. So he paid the forfeit, and sold out at the best prices he could get, losing a million, which was

looked upon in those days as ten or twenty millions would be now. This was the only large bull operation he ever engaged in, and it confirmed him in his natural bearishness.

He more than recovered from this disaster, however, by breaking the "corner" in Erie stock not long afterwards. He was largely "short" of it, and the cornering clique had bought up all the stock on the market. They put the price higher and higher from day to day, but Jacob Little remained unterrified, and refused to "cover" his contracts. He was the only one "short" who stood out against the cornerers, and made no effort to buy in his stock. The eyes of all Wall Street were watching him, and the prevailing opinion was that he would be forced to "cover" at a ruinous loss, or fail.

But he had "a card up his sleeve" that the cornerers had never suspected, and just when they were expecting his surrender, or failure, at the maturity of his contracts to deliver, he produced a big bundle of new Erie certificates of stock and filled his contracts by delivering them. These had been issued to him in exchange for the company's convertible bonds, unknown to the clique, the issue of the bonds with the convertible clause being also unknown to them.

Such a surprise and checkmate Wall Street had never known before, and the "corner" was broken, with resulting demoralization and disaster to the cornering clique, and great profit and eclat to Jacob Little. But subsequently he failed several times on the "bear" side, yet always managed to pay in full out of later successes. He was equally generous as a creditor, and compromised on easy terms, so as to give his debtors a chance to recuperate. Hence he was liked and respected notwithstanding his aggressiveness and the havoc he often wrought among speculators on the opposite side of the market.

He was a born speculator. Speculation was his daily bread. He liked it for its own sake. His ambition was to control the stock market, and he was willing to run extra hazardous risks to achieve this end. He once said: "I care more for the game than the results, and, winning or losing, I like to be in it!"

It was this feeling that kept him in Wall Street after his money power and his prestige of success, as well as his health, had passed away. He was out of debt, but without money in any considerable amount. He was a mere shadow of what he had been, a name and nothing more. Nevertheless, he risked his small operations with zest. But his health gave way more and more, and he fainted one morning in the board room, in Lord's Court, and his end came not long afterwards.

He said, "I die poor!" But from the ashes of his estate and unsettled accounts his family succeeded in collecting about $150,000, which he had neglected to look after, for he had always been careless and easy-going in money matters, and attached little value to money except for its use in speculation. He was the very reverse of a miser, for he had never cared to hoard.

It was Anthony W. Morse who gave the finishing stroke to the career of Jacob Little, for, while Little was operating for a decline in the early sixties, Morse sprang into the speculative ring as a rampant bull, and bid prices up on the Stock Exchange, while it was still in Lord's Court, in a way that astonished him and the other fossils of the board. They considered him utterly reckless. But Morse foresaw that the great war issues of United States currency—greenbacks as they were called—then being made would inflate the prices of stocks largely, and he accordingly, metaphorically speaking, rushed in where angels feared to tread.

He became the storm center, the hub, the pivotal point, in the wildest riot of stock speculation this country has ever known, or probably ever will know again; and who was he? A slight, fair-complexioned country lad, he came to New York without a dollar, and became a clerk in a stockbroker's office. Then he married a woman with some money, and induced her to let him speculate a little for her, and was successful in making something for her, and enough for himself to buy a seat at the Stock Exchange, which then cost only $500, the initiation fee.

That was in 1862, up to which time he was both insignificant and unknown. But the bold, dashing style in which he immediately began to astonish the natives and rattle the dry bones of the fossils, by his rapidly advancing bids for railway stocks, showed that he was a man of the time, fully up to date. Had he not proved to be right on the market he would have been ruined at the start, but the market went with him, and it went with a rush that made the old fogies of the board say: "Well, well! this young fellow got the start of us—we are not in it!"

He first put up Cleveland & Pittsburg with the ease and celerity of a man who thought it a mere trifle to handle. Then he successfully took hold of Ohio & Mississippi, Rock Island, Erie, and Fort Wayne, and put them up in the same pyrotechnical and flamboyant way. He, in one day, marked Fort Wayne up from 118 to 152. He had unlimited confidence in himself, because he saw that he was on the right track, and the Street and the public followed him. He ran Pittsburg up from 65 to 108 amid great excitement, and bid 100 for the whole capital stock, "seller one year." He then sold all his Pittsburg between 96 and 108. His firm, Morse & Co., were overrun with commission business at their large ground-floor office in William Street. By the early part of 1863 he had punished the bears badly, and made, it was estimated, at least $1,250,000, and his career of riotous success ran for just two years, during which he was supposed to have made enormously. There was a rush to join every pool he formed, so great was his prestige. Men crowded the sidewalk in front of his office trying to find out what he said, or what he was doing, so that they might do likewise; and if he gave a "bull" point on any stock, nearly all who heard of it acted upon it, feeling confident that it was a dead certainty. His fellow-brokers in the board largely followed him, like the rank and file, and rag, tag, and bobtail of the Wall Street crowd, because he had been always right.

Never indeed was a Wall Street leader, before or since, more blindly followed than Morse. The whole country joined in the mad speculation there, and he was on the crest of the wave.

One night at the Evening Exchange Morse bid 112 for 10,000 shares of Erie stock, and Daniel Drew sold them. Then he bid the same price for 20,000 more, and Drew sold them. A day or two later Drew "covered" at a heavy loss. When Morse took hold of Ohio & Mississippi he jumped it from 49 to 69 in a couple of days.

Money was cheap and abundant, owing to the currency inflation, and speculation so active that many stock houses kept a relay of clerks for night work. Meanwhile speculation in gold was as rampant as in stocks, and hundreds of new mining and petroleum companies were launched, and the stocks of these were actively traded in at high and rapidly rising prices, while old and worthless stocks, like Bucks County Lead, were resuscitated and boomed with the rest.

Clergymen and women were drawn into this whirlpool of speculation, and any stock with "gold" in its name went off "like hot cakes." One stock was considered about as good as another to buy, as all were going up. Morse led the crazy multitude in everything, and, among his other achievements, he put Rock Island up from 106 to 149, and, in doing so, bought the whole capital stock, which was then only 56,000 shares.

Morse's doom was sealed by Mr. Salmon P. Chase, who as Secretary of the Treasury sought to stop the wild inflation, and particularly the tremendous bull speculation in gold, by selling gold for currency, and locking the currency up in the Sub-treasury, so as to make a tight money market. This had the desired effect, for it made money so scarce and dear that it forced the large speculative holders of stocks to sell, through the banks calling in their loans, and brought on a panic, just at the time when Morse was more heavily loaded with stocks than he had ever been before.

Broken in health, and looking weary and haggard, he tried to sell, and this set every one of his followers selling like a flock of sheep, and prices tumbled from bad to worse under the general rush to realize. Fort Wayne fell at the morning session of the board on that fatal Monday of the Morse panic, on the 18th of April, 1864, from 153 to 119. Then Morse left the room for the last time, and, going to his office, said to his partner, "The game is up!" Reading had also fallen that morning nineteen per cent.; Pittsburg, seventeen; Hudson River, twenty-three; and all other active stocks about as much.

This monetary tornado, that found Morse overloaded with stocks, there and then swept him out of the Stock Exchange, for, knowing that he was hopelessly ruined, he wrote an announcement of the suspension of Morse & Co., and sent it to the board a few minutes after he had left it. The failure proved a very bad one, and the firm was unable to settle or resume. Morse was no longer the leader of Wall Street, and many of his

customers, in a semifrantic condition, rushed in upon him and denounced him bitterly. The king had been dethroned, never to regain his crown, nor ever to get a fresh start.

Pandemonium reigned during the rest of the day, and at the Evening Exchange uptown at night Speculation had been so widespread, and Morse had been so implicitly trusted as a leader, that the collapse ruined thousands, including many women, and a raving, cursing mob crowded into the Evening Exchange and overflowed into the Fifth Avenue Hotel. There was a night of horror in hundreds of homes. Morse was upbraided and cursed, and many of his customers, as is usual when they lose their money in a broker's office, blamed him for their losses.

Then for a year Morse disappeared. When he returned he looked more haggard than ever, and he died poor soon afterwards. No one ever accused Morse of being dishonest, therefore his Waterloo defeat gained him widespread sympathy. Few Wall Street magnates had more friends than Anthony W. Morse from start to finish of his career.

John M. Tobin, who had been a ferry gatekeeper for Commodore Vanderbilt on Staten Island, figured largely as a speculator in the gold room, and also as a stock operator, during the two years of the Morse campaign, and saw many ups and downs. He began to loom up still more after Morse sank below the horizon in 1864. He was known to be the agent of Commodore Vanderbilt in cornering Harlem stock, and shone in Vanderbilt's reflected light, although a large operator on his own account.

The Harlem "corner" was a memorable event. Through the winter of 1863-64 the stock had been selling at about 60, and Vanderbilt was a director and large stockholder, and, moreover, determined to make what he called "a big thing" out of it. The road was, however, generally considered of little account except for carrying milk. So, in connection with his street-railway projects for improving its value, he engineered the stock up to 117. He counted upon getting a charter from the Common Council; but its members tricked him, and after passing a favorable resolution they sold the stock "short" and then rescinded the resolution, and it fell to 72. So they made money at his expense.

JOHN D. ARCHBOLD.

He then applied to the Legislature at Albany for a Harlem franchise to lay rails in Broadway; and the legislators saw there was room for stock speculation in this. They made a favorable report on a bill granting Vanderbilt's application, and on this Harlem stock rose sharply to 150. Then they and their friends, including the New York Common Councilmen, sold it short largely, thinking they had a sure thing; and Tobin bought for Vanderbilt all that was offered. On March 25, 1864, they voted, by prearrangement, against the bill, and Harlem stock fell to 101.

The sellers of Harlem rejoiced, for they had large profits on paper; but Tobin still continued to buy the stock, and under his purchases it rapidly recovered. The commodore was determined to punish them. Within ten days Harlem was up to 150 again. A week later it touched 185, and thereafter, for ten days, fluctuated between 175 and 200. Daniel Drew sold calls on it for 30,000 shares, thinking it could not stay up long, and the professional speculators, both in and out of the Stock Exchange, took a hand in selling it "short" on the same theory. The Morse panic swept over it in April, but still it stood up, like a pyramid in the desert, and Tobin still continued buying for Vanderbilt.

In May the price of Harlem was put up to 300. It stood at 285 on the day 15,000 shares had to be delivered, and they were settled for at this price. Daniel Drew compromised by paying $1,000,000 to Tobin in settlement of his own Harlem "shorts," but the claim against him was $1,700,000. He, however, threatened a suit for conspiracy. Tobin's share of the profits of the corner was about two millions, and this made him worth three.

Commodore Vanderbilt chuckled, and disposed of the Harlem road by leasing it at eight per cent. on the stock to the New York Central & Hudson when he got control of it. So Harlem proved a bonanza to him till the end, and is still one of the splendid assets of his descendants. After the "corner," Tobin bulled gold on a tremendous scale in the face of the Union victories that terminated the war. He bulled it from 198 to 211 against the "short" interest at the beginning of 1865, and then it broke on him so heavily that he lost more than $1,500,000. After that he met with a succession of disasters in the stock market, and lost every dollar that he had, besides running in debt with his brokers. He then retired to live with his sister on a farm on Staten Island, and was never seen again in Wall Street. He saw ups and downs with a vengeance. So did his contemporary of the open board, E. A. Coray, who made and lost about as much.

Addison G. Jerome had a career in Wall Street more brief than that of Anthony W. Morse, but he is still well remembered there as a shining light. He entered Wall Street as an operator early in 1863, after being a merchant in the dry goods trade, and during the rest of that year was called "the Napoleon of the public board," so conspicuously active, bold, and successful was he in his operations. He was a friend and broker of John Tobin's, and coöperated with him in bulling Harlem, with the result that he made a

very large amount of money out of it, first by the rise from 60 to 117, when Commodore Vanderbilt was dealing with the New York Common Council, and next when he was punishing the legislators at Albany for going back on him, as he phrased it, in the 1864 "corner."

He became a brilliant leader, and had a host of followers, and was successful in everything he undertook until he bulled Michigan Southern, and, with a clique that he formed, bought control of it. He put it to high figures, and was sure of his position. But Henry Keep, the treasurer of the company, and a keen operator in stocks, stepped in, and turned Jerome's success into utter and disastrous failure.

Henry Keep knew something that Jerome was unaware of, namely, that a clause in the Michigan Southern's charter permitted its directors to increase its capital stock. So he called a secret meeting of the board, and an increase of 14,000 shares was voted. Then, with this increase for future delivery, he sold the stock against it, and borrowed to make his deliveries, which made Jerome think Keep was largely "short" of Michigan Southern. He and his clique, therefore, kept on buying and advancing the price, while Keep kept on selling more and more. The final result was that Jerome called in all his loans of the stock, so as to force the "shorts" to "cover," and that Keep responded by delivering the 14,000 shares of new stock, which caused a fall of twenty per cent. in Michigan Southern in one day. This involved the loss of nearly all the three millions of money Jerome had so quickly made, and killed him as a leader, although he was respected as an honorable man. He took the loss of his fortune and prestige so much to heart that he sickened and died in the following year of some obscure disease, a virtually ruined man. But, fortunately, during his nine months of phenomenal success he had settled enough on his wife to keep the wolf from the door. His ups and downs were remarkably swift even for Wall Street.

Leonard W. Jerome, a younger brother of Addison's, was prominent in Wall Street and society, and as the driver of a four-in-hand, long before the latter appeared, and continued in the Street long after Addison passed away. His career was also marked by memorable ups and downs. In 1863 he was a large holder of Hudson River Railroad stock, which the bears had hammered down to 107. So he formed a strong clique to bull it against the "short" interest, and bought all the stock that was offered until he had taken nearly all the capital. Then he bid up the price gradually till it reached 175, and made the stock so scarce that he loaned it to the bears to make their deliveries, at five per cent. a day. The shorts, estimated to represent about 50,000 shares, finding there was no help for them, covered at a very heavy loss, while Jerome made a great deal of money by squeezing them, presumably two or three millions.

His prestige increased with his wealth, and he became a social as well as a financial lion. He had been watching Pacific Mail since it succeeded the Nicaragua Transit Company in 1856. In 1861 its stock fell to 69, but in the next year its earnings were

enormous, and 26,000 of its 40,000 shares were bought by a combination of operators, mostly its directors, who transferred it to Brown Brothers & Co., to be held in trust for their benefit for five years; and they selected Leonard Jerome to bull the stock in the open market. Under his manipulation it rose to 160 in thirteen months after he commenced operations for the ring. There was a large "short" interest in it by that time, and, to force the "shorts" to settle, he put it to 200, and kept it there, and they settled.

In 1865 Pacific Mail's capital was increased from four millions to ten, and yet its stock stood at 240, and it paid twenty per cent. a year in dividends. The year after, it was increased to twenty millions, yet it sold at 180, with Jerome still bulling it. But in 1867 he met his Waterloo in it. To use his own words, he had bitten off more than he could chew. The company's earnings fell off largely, and its report showed assets reduced from thirty-four to twenty-two millions; the Government paper-money issues were being rapidly contracted, and the flood of "water" injected into the stock was beginning to tell upon it. Moreover, Jerome had agreed to buy the old five-year combination's stock at 160. Owing to all this, accompanied by a generally weak stock market, Pacific Mail broke, under enormous sales, from 163 to 115 in a few days on his hands, and he lost practically everything he had, except some real estate. After being thus ruined by Pacific Mail, Leonard Jerome ceased to be a power in Wall Street. He had no longer any prestige there, and soon retired from it entirely, and died, at the home of his daughter, Lady Randolph Churchill, in London, a poor man. He had experienced his full share of the ups and downs of Wall Street.

Pacific Mail was nothing to Leonard W. Jerome after he lost his money, nor he to Pacific Mail. The company had seen its most palmy and prosperous days, and its water-logged stock was heavy on the market. It suffered from reduced traffic and bad management, and in 1871-72 its stock had sunk to so low an ebb that the directors felt it was necessary to do something to mend matters. So, having little of the stock, they decided, instead of trying to reëlect themselves, to give up the ship. They retired to make room for a new board in November, 1871, with Alden B. Stockwell at the helm as president. Nominally the new board selected him, but really he selected them to do his bidding.

His name was then very little known in Wall Street, but he was known to have been a steamboat clerk on Lake Erie, and more recently to have married the daughter of Elias Howe, the sewing-machine inventor and manufacturer of Bridgeport, Conn., and thus acquired wealth and become the president of the Howe Sewing Machine Company and the Willcox & Gibbs Company.

He had come to Wall Street to see what he could do, and finding Pacific Mail stock down to the 40's in 1871, he began to bull it with a vigor that excited some wonder; and the wonder grew when it was found that he had secured stock and proxies enough to elect his own board of directors. He elected them and himself by a vote of 118,000

shares, and became Commodore Stockwell at a bound. His wish was law to his codirectors, and the irreverent called it a dummy board.

With the assets of the Pacific Mail Company under his control, and acting for it, he soon managed to get control, and become president, of the Panama Railway Company. He began, on this acquisition of the Pacific Mail Company, to bull Pacific Mail stock anew by making splendid promises. In October, 1872, while the company's steamers were foundering and burning with alarming frequency, he claimed that it had increased its property by large purchases, and was earning more than eleven per cent. a year in excess of the Government subsidy. This, he said, would enable it to pay twelve per cent. on its capital stock from January 1, 1872. Then he asked for authority from the Legislature at Albany to reduce its capital stock from twenty millions to ten, which was granted; but the company never availed itself of this authority, and to this day its capital remains at twenty millions.

The stock, that had been as low as 40, responded to his "bull" statements and manipulation, for Wall Street saw that the intention was at least to put the stock up. It rose, after a good deal of see-sawing, to about 107, and Commodore Stockwell was the sensation of the time in Wall Street. He became, like Leonard W. Jerome, what was called a "big swell." He had one of the largest houses in Madison Avenue and one of the showiest turnouts in the city, and yet he had been commodore for less than a year.

He did not confine himself to Pacific Mail and the other interests mentioned, but took hold of that railway cripple, Boston, Hartford and Erie, and bought 30,000 shares of Atlantic and Pacific Railway preferred at 25, a stock of uncertain legal status, although the certificates had been printed by the company, because there was no legal authority for its issue. But this did not prevent the stock from being made active for a short time in Wall Street at prices a good deal above cost.

Before long, however, it became discredited, and so also did Boston, Hartford and Erie stock, while Pacific Mail suffered under fresh losses and reduced earnings. The stocks of the three companies were vigorously attacked by the bears and they all went down together, Stockwell being unable to support them, and all that he had made was lost. This state of things involved him in a snarl about the 27,000 shares of the Pacific Mail Company's treasury stock, and a compromise was the result, by which he is said to have given his note to the Pacific Mail Company for $1,140,000, indorsed by the Howe Sewing Machine Company.

Then, at the next election, he ceased to be its president, and a new board of directors was elected. He was also dropped from the Panama Railroad directorate and the Atlantic and Pacific board. He had lost his money and his prestige, and there were none so poor as to do him reverence. He led a precarious existence as a small speculator afterwards, and, not long before his death, failed for a small amount as a member of the Consolidated Exchange.

He was a man of popular manners, and, in describing his change of fortune, he humorously remarked: "When I first came into Wall Street, it was asked, 'Who is that man Stockwell?' But I was respectfully spoken of as 'Mr. Stockwell' after I had made a good deal of money bulling Pacific Mail; and when I was elected president of Pacific Mail, I was styled 'Commodore Stockwell' and 'a Wall Street leader,' and a great man generally. But when Pacific Mail broke, and broke me, I became 'That red-headed cuss Stockwell.'" Thus are the ups and downs of Wall Street, and Wall Street opinion, illustrated in real life.

Of all the great operators of Wall Street, however, Daniel Drew furnishes the most remarkable instance of immense and long-continued success, followed by utter failure and hopeless bankruptcy. His early success as a stock speculator was all the more surprising because he was an illiterate man, who had barely learned to read and to write enough to be able to sign his own name in a sprawling, illegible hand.

He had been a cattle drover, and after that the keeper of the Bull's Head Tavern, at the New York Cattle Yards, and was without any experience of banking or Stock Exchange affairs when he first came into Wall Street; and he never even read a newspaper. But he succeeded in making money from the start, and then joined others in putting capital into Hudson River steamboats; and his investments in these became large and proved very profitable, although he knew nothing about running steamers himself.

His shrewdness enabled him to make millions by stock speculation, and before long, without knowing anything of the stock brokerage business except as a customer, he entered into a Stock Exchange partnership, his firm being Drew & Robinson. For many years this house was prosperous and prominent, and Drew, after it was dissolved, and when at the summit of his prosperity, said to a friend who rated him at twenty millions, "I guess sixteen will cover it."

After that Drew's cunning and sagacity seemed gradually to fail him. He met with a succession of disasters through bad judgment, but was more liberal than before in endowing the Drew Theological Seminary and other Methodist institutions. Yet, instead of giving the endowments in cash, he gave his notes for them, and paid interest on these. The consequence was that when he finally lost every dollar that he had, and was declared a bankrupt, without any assets, the notes were worthless. While in this bankrupt condition and dependent for a home on his son, he died, and his death was as unnoticed as that of any other Wall Street wreck. He had gone out of sight, and out of mind, when his money was gone. Never did anyone go further up or further down in Wall Street as a stock speculator than Daniel Drew.

Charles F. Woerishoffer was a brilliant Stock Exchange operator, who made a large fortune out of nothing and then lost most of it again by overstaying his market as a bear after the panic of 1884.

James R. Keene came to New York with several millions, made out of mining stocks in California at the time of the great Bonanza gold discovery at Gold Hill, when Flood and O'Brien, Mackay, and John P. Jones made their millions. But Keene, after adding to his "pile," lost all he had through overextending his operations in bulling stocks and grain in the eighties. He, however, got a fresh start through being employed by large interests to manipulate stocks for them, and after several more ups and downs he is rich again.

Henry N. Smith, a former partner of Jay Gould, made five or six millions as an operator in stocks, only to lose them again and die poor. The brief meteoric Wall Street career of Ferdinand Ward, who lured General Grant into forming the firm of Grant & Ward, is well remembered. He went up so high that when he came down he landed in Sing Sing prison. Fish, the president of the Marine Bank, did the same, after being long in good repute.

It is unnecessary to dilate on any of the Vanderbilts, or Goulds, or Russell Sage, or Henry Keep, or Henry Villard, or William E. Travers, because they had no totally overwhelming reverses in their Wall Street career; but John F. Tracy, the president of the Rock Island Railroad in the sixties, was ruined by his stock speculations after being worth more than five millions, and he had to relinquish his presidency, and died in poverty. Cyrus W. Field, too, lost nearly all his large fortune through overloading himself with Manhattan Railway stock; and Addison Cammack, the Ursa Major of Wall Street, died worth little in comparison with what he had once possessed.

How violent the vicissitudes of Wall Street are at times we may easily infer when we recall the tremendous convulsion produced by the gold conspiracy of Black Friday, on September 24, 1869, which involved thousands in enormous losses, and caused both the Stock Exchange and the Gold Clearing House, and Gold Exchange Bank, to be closed; or when we think of the devastating Northern Pacific panic of May 9, 1901, or of the far-reaching and long-continued havoc worked by the panic of 1873.

The memorable failure of Jay Cooke & Co., early in the last-mentioned panic, will be recalled by many as vividly as the collapse of the Ohio Life and Trust Company that started the panic of 1857.

All these reminiscences of the ups and downs of Wall Street will serve to remind my readers that, while it is often easy to make money, it is still easier to lose it. Therefore, boldness should be always tempered with caution in the pursuit of the Almighty Dollar in Wall Street.

CHAPTER LXVII.

RECENT WALL STREET BOOMS.

THE RESISTLESS POWER BEHIND THE MARKET.—THE ADVENT OF GOVERNOR R. P. FLOWER.—HOW STOCKS WERE BOOMED WITH A DASH.—A SUDDEN DEATH AVERTS A BIG PANIC.—MR. MORGAN AS A RAILWAY REORGANIZER.—HOW BANNIGAN UNLOADED HIS RUBBER.—MILLIONS WON ONLY TO BE LOST.

Wall Street, after the election of McKinley, enjoyed a boom such as it has seldom known. Probably the most interesting feature about this boom was that it was not in any sense spectacular. In that respect it is unique. Prices of stocks went higher and the intrinsic value of most of them was greater than ever before. The market had all the qualities that normally would cause intense excitement and focus the attention of the entire country on the Stock Exchange. Yet in spite of these conditions the Street was in a normal state of mind, and it is doubtful if the general mass of the people, who get their information from the newspapers, were aware that there was even an ordinary boom in Wall Street. This unusual condition was due, I believe, to the fact that the boom we were enjoying was built on a foundation that reached clear to the bowels of the earth. There was nothing unnatural or artificial about it. Wall Street, instead of being the center, is simply one of the centers that reflects the general prosperity throughout the country. Farmers, merchants, mechanics, mill workers, and miners are all so intent on keeping pace with the progress in their own pursuits that they have no time to cast eyes our way. The same conditions that boom stocks may boom everything else in the country at an equal rate, so that we are in nowise deserving of special attention.

Another factor, too, had developed in the Street that prevented the usual excitement and hurly-burly incident to a rising market. This was the absence of a pronounced central figure. Usually a boom centers about some one man who stands boldly out in the open, and whose hand is known to be manipulating values. But then the manipulation was being carried on by a method that was as quiet as it was novel and unusual. That the market was being manipulated was apparent enough even to the most casual observer. But the source of this manipulation was probably known to only a few.

They knew that a new order of things had come, due to the most powerful influence that had ever manifested itself in Wall Street. This influence was very largely composed of the Standard Oil combination, who introduced in their Wall Street operations the same quiet, unostentatious, but resistless measures that they had always employed in the conduct of their corporate affairs. The heretofore conspicuously big operators were mere tyros beside the men who are running things for us now.

At his best, Jay Gould was always compelled to face the chance of failure. Commodore Vanderbilt, though he often had the Street in the palm of his hand, was frequently driven into a corner where he had to do battle for his life; and so it was with every great speculator, or combination of speculators, until the men who control the Standard Oil took hold. With them, manipulation has ceased to be speculation. Their resources are so vast that they need only to concentrate on any given property in order to do with it what they please; and that they have thus concentrated on a considerable number of properties outside of the stocks in which they are popularly supposed to be exclusively interested is a fact well known to everyone who has opportunities of getting beneath the surface. They are the greatest operators the world has ever seen, and the beauty of their method is the quietness and lack of ostentation with which they carry it on. There are no gallery plays, there are no scare heads in the newspapers, there is no wild scramble or excitement. With them the process is gradual, thorough, and steady, with never a waver or break. How much money this group of men have made it is impossible even to estimate. That it is a sum beside which the gain of the most daring speculator of the past was a mere bagatelle is putting the case mildly. And there is an utter absence of chance that is terrible to contemplate. This combination controls Wall Street almost absolutely. Many of the strongest financial institutions are at their service in supplying accommodations when needed. With such power and facilities it is easily conceivable that these men must make enormous sums on either side of the market. So far, fortunately, their manipulations have all been one way—upward; and in conjunction with the general prosperity this has resulted in making large sums of money for nearly everybody in the Street.

Here and there we have heard of losses, some of them fairly large, but in comparison with the general money-making these are hardly to be taken into consideration.

The last preceding boom that Wall Street had enjoyed was as different from this as it is possible to imagine. It had all the elements which this one had not. It centered about one man who stood out in the lime light clear and distinct. It kept the Stock Exchange in a constant state of ferment. It filled the newspapers with column upon column of sensational stories. It made millions for an army of retainers, on paper, and it kept the market jerking up and down for months.

Roswell P. Flower, ex-Governor of the State of New York, was the leader of the boom, and a more picturesque figure had never been seen in Wall Street, which is

saying a great deal. Mr. Flower was an individual of a very plain exterior. He often used language that was noticeable more for its force, directness, and emphasis than it was for polish. He was rarely seen without a huge quid of tobacco that almost filled the left side of his mouth. Spittoons were an essential part of the furnishings of his office. His clothing hung on his person not unlike meal sacks. His hat was rarely brushed, and for days at a time, apparently, he forgot to shave. Altogether he was the last person, in appearance, who would be expected to lead in a district that is famous for its well-groomed men. His education was certainly not collegiate. All these factors the ordinary man would have judged to be handicaps, yet they were Mr. Flower's strongest aids. The lack of artificial polish gave people confidence in his statements. His limited education enabled him to think clearly along certain lines without being hampered by mental digressions, which would probably have come with a higher mental culture.

As the administrator and manager of the estate of his brother-in-law, Henry Keep, he came into the Street about twenty-five years ago. He controlled a large amount of funds, which by conservative direction he increased very substantially. He scarcely ever figured in the speculative field to any great extent until after he had completed his term as Governor of New York State. When he returned to the Street from Albany he naturally came with a considerable prestige. Ex-Governors of the Empire State are not very plentiful in and about the Stock Exchange. He also brought with him a large political following. In both of the great parties in New York State there are many men of standing and influence who like to take a flyer in Wall Street. Almost to a man they associated themselves with Mr. Flower, who, during his term at the capital, had made hosts of friends with Republicans and Democrats alike. He also had close associations with most of the big capitalists.

After he had settled down to business, on leaving politics behind, Mr. Flower picked out several stocks as his specialties. Under his manipulation all these properties went up and soon began to show a big advance, unusual strength, and great activity. The bears made frequent assaults on his position and now and then pushed him toward the wall, but he always fought his way to the front again, and came out master in every encounter. When he had himself pretty well intrenched in the specialties he was handling, he suddenly plunged into Brooklyn Rapid Transit, and for months he kept things stirred up in a way that even Wall Street has seldom seen. He picked up the stock commencing at 6 and in an incredibly short time ran it up to over 138. Almost every politician in the State made a fortune on paper. Mr. Flower was immensely popular with the Wall Street news reporters, who helped his boom along through the glowing accounts they wrote from day to day.

Under the impetus of the swirl in Rapid Transit, practically every property in the Street went flying upward, until the end did not seem to be in sight. The bears were beaten to a standstill every time they showed their heads. The only result of their attacks

was that Flower stocks would jump up a notch higher. The ex-Governor preached Americanism and confidence, until everybody believed that if a stock were only grounded, and the property located in America, you could buy it at any price and still be on the safe side.

That a terrible panic did not grow out of this boom was due only to one fact: Mr. Flower's sudden death. Had he lived thirty days longer the bubble must have been pricked, and the result would have been disastrous. Mr. Flower went to the country for a day's rest, ate freely of ham and radishes, and washed his frugal meal down with a copious supply of ice water. He died, a few hours afterwards, of an attack of acute indigestion. His death alone saved the Street.

The Rockefellers, the Vanderbilts, and his other wealthy friends rushed into the market with millions and sustained values. They were in a position to attribute the threatened reaction to his death, and pointed out the absurdity of letting such an incident affect the value of stocks. They discounted the break that must have come, in the natural course of events, under the forcing process that was going on. Reasoning such as this, spread broadcast through the papers, stopped the break. Where the bottom would have fallen out entirely there was virtually but a moderate break all along the line. The small speculators, operating on moderate margins, were of course wiped out almost to a man; but most of the big fellows were saved. It is probably the only instance on record where the death of a big operator saved a general smash. Those hurt were numerous politicians and small-fry operators who, instead of getting away with snug fortunes in the shape of profits, lost everything.

An interesting incident of the Flower boom was the way it was involuntarily helped along by young Joe Leiter. Leiter himself, although he had gone to the wall some time previously, had indirectly brought about certain conditions that served Mr. Flower's purpose admirably. These conditions were the general release of hundreds of millions of dollars on mortgages on farm lands. When Leiter began to corner wheat it was ruling down in the neighborhood of sixty cents a bushel. He lifted it to considerably over a dollar before he went broke. This enabled thousands of farmers to realize on their crops at the dollar figure and above, which brought prosperity almost overnight to the wheat-growing belt. With the money realized from their wheat they paid off their mortgages to the extent of two or three hundred million dollars. These mortgages were generally held in the East. This released that much Eastern capital, causing a vast volume of money to seek investment. The men controlling this money were overjoyed when Mr. Flower made an opening for them through the Wall Street boom, and hence it was comparatively easy, for a time, to push up values.

Mr. J. Pierpont Morgan, now a noted character in the Street, was trained as a clerk in the one-time famous banking house of Duncan, Sherman & Co. Later he made a connection with Anthony J. Drexel, probably the wealthiest banker of his time in

America. Out of this connection grew the house of Drexel, Morgan & Co., with Mr. Morgan as the managing partner in New York. When Mr. Drexel died, Mr. Morgan absorbed the entire business, and a few years later, when his father died, he became the head of the London house of J. S. Morgan & Co. as well.

This put him in a very prominent position. He soon thereafter demonstrated his influence by reorganizing the bankrupt Richmond and West Point Terminal Railway and Warehouse Company, changing its name to the Southern Railway Company. A number of small roads were added to it, many of which were in financial straits and practically all of which had been badly managed. He combined them into one system under one head. Mr. Morgan next turned his attention to the reorganization of the Reading and the Erie roads, which were in a bad way. He soon produced order out of chaos there, and that resulted in a boom in railroad stocks all along the line. He had several sharp tussles, however, with some of the big stockholders, who tried to stand out against him because they thought his plans too drastic.

The people who followed Mr. Morgan's lead in these transactions generally made money.

A different sort of deal was engineered a few years before by Mr. S. V. White, popularly known as Deacon White, because of his position as a deacon in Plymouth Church. Mr. White is one of the oldest operators in the Street, and one of its most striking figures. He has made half a dozen great fortunes in speculation and lost them, but he is as undaunted as ever, and in spite of the fact that he is now over seventy years old he is still active daily in the market.

Probably one of the most unique stock deals ever carried out in the Street resulted from the transaction of Joseph Bannigan when President of the Rubber Trust. The history of this deal, which for a time resulted in a great boom in industrials, has never been told, and is known to but very few persons, most of whom, by the way, were its victims.

Bannigan was an uneducated Irishman. He began life in a New England rubber factory and conscientiously worked his way up from a wage of $1.50 a day to die worth $5,000,000. He was shrewd and bright and knew the value of money. He saved to such good purpose that when the Rubber Trust was formed he was at the head of one of the biggest factories in the country, located in Providence. His knowledge of the trade was so thorough that, despite the fact that he almost invariably used small "i's" in writing a letter, he was made president of the trust, his holdings amounting to about 40,000 shares. When matters had been moving along for some time, Bannigan made up his mind that the other men in the trust, the big fellows, were not treating him right, and that the best thing he could do was to get out. So he packed his stock certificates in a gripsack, left Providence on the night boat, landed in New York bright and early, had his breakfast, and then made a bee line for a stockbroker's office. He had assured himself

in advance that this stockbroker was to be relied upon, and so he told him frankly what he intended to do.

"I want to sell out, bag and baggage," he said. "I want to get rid of every one of my 40,000 shares. Here they are; put them on the market and sell them." The stockbroker told him that that would never do. If he wanted to realize full value for his holdings he would have to go about it in a different way, for if he should throw his 40,000 shares into the market it would knock the bottom out of prices, and he would get little or nothing for his stock. Mr. Bannigan saw the point and asked what he ought to do.

"Buy," said the broker.

"But I don't want to buy; I have got more now than I want."

"That is all right; buy anyway; that will make a market for the stock, and you can unload when the time comes."

"How much must I buy?"

"Oh, about $250,000 worth."

"But I have not got $250,000 in cash to go and buy rubber stock."

"Well, you can borrow it; a man in your position, Mr. Bannigan, will have no difficulty in borrowing $250,000."

Much against his will the old man was finally persuaded to do as he was told. About two weeks later the broker wrote to him that he must buy some more—this time $200,000 worth. Mr. Bannigan used rather strong language, but finally yielded as before. He borrowed $200,000 and turned it over. With this additional capital to work on, the broker continued to manipulate the market. The insiders soon discovered that some strong party was buying, but they did not know who, Bannigan having carefully kept himself in the background. His broker operated skillfully in the stock, one day buying, the next selling, to keep the stock active. The broker after a while began to borrow large amounts of the stock. This convinced the insiders that there was a big short interest somewhere, and they got together in order to squeeze the shorts. The inside holders who controlled most of the stock combined to squeeze "the shorts" out. In furtherance of this plan they put the price up to 61, and at about that figure Bannigan's stock was all unloaded. Bannigan now found himself full of money, while the other fellows were filled up with his stock. They never awakened to the fact that the president had sold out on them until his shares were delivered against their purchases, as they thought, of "short" stock. Rubber broke and did not stop tumbling until it had gone from 61 to 16.

This deal had all the elements of a comedy-drama, and the playwright who can do it justice will find material there which will make him an everlasting fortune and

reputation.

It is not often, however, that newcomers in the Street fare as well as this in the end. For a time they will go on merrily enough, and send things booming, but in the end most of them get the worst of it. At the risk of repeating myself, I will say here:

Mr. A. B. Stockwell is a good illustration of the truth of this. At one time he was worth many millions of dollars. His start in life was as a purser on a Lake Erie steamboat; his father, it is said, kept a livery stable in Cleveland. On one of his trips Stockwell was in a position to show considerable attention to Elias Howe, the inventor of the eye at the top end of the sewing-machine needle. Mr. Howe was accompanied by his daughter. Stockwell made himself agreeable to Miss Howe also, and with such good effect that he managed to win her affections, and soon thereafter married her.

When Mr. Howe died, Mrs. Stockwell came into possession of her father's millions. With this nest egg Stockwell started in Wall Street, and before anyone realized what had happened he was the most talked-of man in the district. He put all his wife's millions in Pacific Mail stock, secured entire control of the company and elected himself its president. He came into the Street as plain Stockwell. Then, as the news of his liberality and good-fellowship spread, he became Mr. Stockwell. After he got hold of the Pacific Mail he was Commodore Stockwell by common consent. Everybody bowed and scraped to him, and no man was so high and mighty that he was not proud to shake his hand.

Stockwell took hold of Pacific Mail at about 40 and sent it up to 107. It was at this period that he was worth on paper over $15,000,000. But he found, unfortunately, when it was too late to retreat, that though Pacific Mail was up to 107 it was not worth that figure when the unloading commenced.

He was landed high and dry with it all, and the Street told him he was welcome to it. He tried to sell, and found that there was no market. Then came violent demands on him to pay up his numerous call loans, and in order to respond he had to sell regardless of price, and thus a whirlpool was created which finally sent the stock down to the price at which he had begun his original purchases. In this one upset he lost all his paper profits and his wife's millions besides. That was the most famous boom in the history of Pacific Mail, notwithstanding Leonard Jerome's previous brilliant ups and downs in that property.

Leonard Jerome and his brother Addison had a good time with Pacific Mail for a while. They ran it up to high figures several times, but finally met with the same experience that Stockwell did. The two Jeromes, from being among the wealthiest and most dazzling operators in the Street, were in the end practically wiped out. Leonard Jerome, who was the father of Lady Randolph Churchill, had nothing left to bequeath his daughter except an equity in the house now occupied by the Manhattan Club on Madison

Avenue, which yields an income of about $15,000 a year, of which Lady Churchill gets $10,000.

These are a few of the booms that have stirred up things in Wall Street at one time or another, as did the Keene, the Gould, and the Vanderbilt booms, and the rest I have mentioned.

CHAPTER LXVIII.

WALL STREET'S WILD SPECULATION, 1900-1904.

McKinley's Reëlection and the Defeat of Bryanism Set the Big Ball of Speculation Rolling on the Stock Exchange.—The Tremendous Volume of Speculation by both Large and Small Capitalists.—The Rush to Incorporate New Companies and Create Industrial Trusts and Railway Combinations.—The Enormous Capitalization of the United States Steel Corporation and Other Companies in Excess of Real Values.—The Rapid Growth and Popularity of New and Old Trust Companies and the Effect of Their Competition in Forcing Bank Consolidations.—The Bold and Reckless Speculations in Railway Stocks of the Newly Enriched Western Capitalists.—The Great Northern Pacific Panic of May 9, 1901.—The Capture of Control of the Louisville & Nashville Railway by John W. Gates, and Its Redemption by J. P. Morgan & Co., Acting in the Interest of the Louisville & Nashville and Southern Railway.—The Slowing Down of Wild and Reckless Speculation in Stocks after September, 1902, through the Influence of the Banks and Conservative Bankers, thus Averting Further Inflation and a Great Convulsion.—The Liquidation and Depression of 1903 a Natural Reaction from the Intoxication of the Preceding Prolonged Boom.—The Great Rise in Cotton and the Collapse of the Tremendous Bull Speculation Led by Daniel J. Sully when He Failed.—The Sudden Fall in the Iron Barometer in 1903, and the General Situation in 1904.

Wall Street changed with almost magical suddenness from depression and apprehension to confidence and buoyancy with the defeat of Bryan and his silver heresy, and the reëlection of McKinley in November, 1900. Large capitalists all over the country began to buy stocks and bonds on so heavy a scale that prices shot up rapidly, like the celebrated Gilderoy's kite, and very soon orders poured into the Stock Exchange from people of smaller means everywhere, and a tremendous bull market for stocks resulted, with too many men staking, or ready to stake, their bottom dollar on the rise.

The speculative capitalists and large operators of Wall Street, not of course excepting many of the active Standard Oil magnates and James R. Keene, naturally availed themselves of this state of affairs to manipulate stocks on a grand scale. Having loaded up with them early at low prices, they boomed them with vigor; and we witnessed the beginning of a carnival of speculation, and an unexampled rush to form combinations of industrial and railroad interests, or trusts, and generally to capitalize the concerns taken

in for many times the amount of their previous capital or real value. The stock thus created, after being admitted to dealings in Wall Street, was made active and bid up by the promoters to high figures to catch buyers, while the public, which had become crazy to buy, took it in enormous amounts. It bought in haste to repent at leisure, for, I regret to say, most of the buyers have it still; and the aggregate loss its shrinkage in price represents is to be counted by very many hundreds of millions of dollars.

But it was fortunate for both Wall Street and the nation that the inflation which ran riot till September, 1902, was then checked by the conservative action and warnings of the banks and men like myself, for if it had been allowed to continue for another half year it would have ended in a disastrous convulsion, a bursting of the bubble, which would have been felt all over the United States, and in every department of business, as in and after the panics of 1857 and 1873. I was one of the first to sound the alarm and call a halt in this dangerously wild speculation in my weekly letter dated September 13, 1902, in the following words:

> "A man becomes an inebriate by getting himself into a condition where he ceases to recognize effect as following cause. Under the influence, at times, of the intoxicating beverage he will defy both law and order. This is due to the callous condition he has allowed himself to get into. The stock market of late has been productive of a similar condition of mind with a majority of people. They have been engaged now for such a prolonged period in buying, buying, buying, making profits on all their ventures, as to make them like the inebriate, callous to all adverse factors whenever they come up. High prices don't frighten them; scarcity and high rates for money don't frighten them; cautionary signals don't frighten them; strikes don't frighten them. Buying and holding on have simply become chronic with them. This may not unlikely continue to be the condition of the stock market until compulsory liquidation sets in, which the strain in the money situation will sooner or later produce. I recommend great caution on the buying side, and, better still, not buying at all at the prevailing high prices. I see no possibility of relief to the money market excepting through the importation of gold. The activity of business all over the country, together with the moving of the crops, is going to keep money thoroughly employed at high rates from now onward and all the way through the new year; therefore, those who buy stocks to carry hereafter, excepting on big concessions from present prices, may meanwhile be overtaken with discomfort from depreciation in values as well as from the difficulty of obtaining money at reasonable rates.
>
> "Henry Clews."

The intoxication of the time having gradually given place to sobriety, and a slow but heavy downward reaction in prices, we escaped the violent and widespread panic that threatened us, and that would have been inevitable had we not "slowed down" in time. As it was, the decline was long-continued and severe, and impoverished or ruined hundreds of thousands of people, including a vast number of formerly very rich men. Both big and little speculators became the victims of the downward plunge of prices: but the country as a whole was saved from serious disturbance and depression—that is, from the effects of such a tremendous collapse and crash as menaced Wall Street during nearly the entire year 1903. This was very fortunate for all our material interests; and the conservative element in Wall Street is to be congratulated on having so successfully

put on the brakes in time to prevent a collapse that would have involved and disturbed the nation from the Atlantic to the Pacific.

The year 1901 was the most remarkable in the financial history of the United States, and Wall Street was a theater of action whose performances astonished not only the entire country, but the world. Their like had never been seen before, not even during the great war between North and South. It would take volumes to fully describe and give retrospective clearness to the leading events of that extraordinary period which made the Stock Exchange continually the scene of wild excitement, daring manipulation, and unexampled inflation.

To say that Wall Street astonished the natives and made conservative business men stand aghast is no exaggeration. There were six influential factors actively at work in that year, namely, the consolidation of railroad and industrial companies at enormously inflated prices, including the disastrous Northern Pacific skyrocket "corner," the restless sea of reckless stock speculation that swept the American people into its vortex, with all its razzle-dazzle extravagance, the transformation of this country from a heavy lender in Europe to a heavy and urgent borrower, the partial failure of the corn crop, the decline in prices for nearly all the staples except grain and iron, and the collapse in earnings and dividends of many new industrial combinations. These included The Amalgamated Copper Company, and the panicky decline in its stock, which impoverished or ruined many thousands of investors, it being first run up to 130 and then rapidly down to 60 by the manipulators, who sold out and then sold "short," and who are said to have made more than fifty millions by the up and down movement. Subsequently even this low price was cut nearly in two, as the decline did not stop until 32½ was reached.

A mere recital of events as they occurred would be an eloquent serial story to those familiar with the alphabet of Wall Street; and there is no more interesting or exciting serial story than the stock ticker tells, from day to day, to those interested in the stock market, or one that often excites more joy or sorrow, or carries with it more weal or woe, prosperity or ruin. But the ticker, like Tennyson's brook, will go on forever during business hours, for we shall never be without a stock market and speculation.

The transactions of the New York Stock Exchange in 1901 were so tremendous in volume as to excite wonder. But they only represented the speculative spirit, the intoxication of the time. The sales in the first half of the year aggregated 175,800,600 shares of stocks and $637,100,800 of bonds at par value, an increase of 109,906,300 shares and $346,900,700 in bonds over the same six months in 1900.

As prices soared the volume of speculation increased, and on January 7th the day's total sales amounted to 2,116,500 shares, and then went on increasing till they reached 3,271,000 on April 30th. Then came the Northern Pacific bombshell, the panic of May 9th, when stocks came down even faster than Captain Scott's coon, and the actual sales

were still larger, but owing to the intense excitement, demoralization, and confusion that prevailed, it was impossible to keep track of them all, and the ticker registered only 3,073,300 shares.

This sudden catastrophe convulsed the stock market in a way that alarmed money lenders, destroyed confidence, and caused a general rush to sell stocks which brought them down with a crash, involving many thousands in ruinous losses. The revulsion of feeling, the change in the sentiment of the Street was as startling as a violent earthquake, and the consequences were fraught with grave disaster. Up to the very eve of this great convulsion in the stock market the dance of speculation had been fast and furious, among both "the big men" and the little, and its unlooked-for occurrence reminded one of Byron's lines on the Brussels ball, given on the eve of the battle of Waterloo, when the sound of cannon unexpectedly boomed above the music:

"On with the dance! Let joy be unconfined;
No sleep till morn when Youth and Pleasure meet
To chase the glowing hours with flying feet.
The lamps shone o'er fair women and brave men;
A thousand hearts beat happily; and when
Music arose with its voluptuous swell,
Soft eyes looked love to eyes that spake again,
And all went merry as a marriage bell;
But hush! hark! a deep sound strikes like a rising knell,
Arm! arm! it is—it is—the cannon's opening roar!"

Fortunately, in the midst of the Northern Pacific panic, the financial belligerents combined to stop it. Their competitive buying for control of the stock had caused the "corner." But the extraordinarily high prices to which it was bid up by those short of it were reached after the competitive buying had ceased for the want of sellers. The contestants saw the wisdom of coming to terms to restore confidence and check the havoc that was being wrought on the Stock Exchange, where prices had fallen from fifteen to fifty per cent. that day, while Northern Pacific common stock had sold up to $1,000 a share. So J. P. Morgan & Co., the bankers of the Hill-Burlington-Great Northern party, and Kuhn, Loeb & Co., the bankers of the Harriman-Union Pacific party, met in haste, and came to an agreement as to the Northern Pacific stock they had bought, the formal announcement of which caused a violent recovery of prices the next day, but not before the sweep of the besom of destruction had caused several Stock Exchange failures to be announced. The recovery was followed by a relapse of equal violence under a fresh rush to sell, which carried stocks nearly as low as in the panic, and then by a fresh recovery, a usual feature in a crisis where credit has been severely shaken and many have been crippled.

The outcome of this agreement between the two sides was the formation of the Northern Securities Company, practically as arranged for by J. P. Morgan & Co. and Kuhn, Loeb & Co., Mr. Morgan naming the directors by mutual consent. Into this repository, or holding company, the Hill and Harriman companies—that is, both sides to the controversy—put their Northern Pacific stock, as well as Great Northern stock, and the Northern Securities Company later issued its own stock to them in exchange for it.

But when, in 1904, the Northern Securities Company was held by the United States Supreme Court to be a violation of the anti-trust law, and it became necessary to distribute its assets, a new controversy arose. Its directors proposed to make an equal, or *pro rata*, distribution of the Northern Pacific and Great Northern stocks deposited with it, whereas President E. H. Harriman, for the Union Pacific, which deposited the lion's share of the Northern Pacific, namely, $78,000,000, wanted all its stock back again; in other words, to eat his cake and have it, too. As this, if assented to, would have given the Union Pacific control of the Northern Pacific, President Hill, for the Great Northern Burlington system, naturally objected, and we all know of the litigation that followed, and in view of the glorious uncertainty of the law, it would have been rash to have predicted its final outcome.

On the Stock Exchange, April was the most active month of 1901, the sales aggregating 41,689,200, a daily average of 1,812,600. On April 24th no less than 652,900 shares of Union Pacific were sold. These specimen bricks furnish a practical commentary on the rampant speculation then in progress.

The new incorporations of the year represented an amazing amount of capital, the total being far in excess of any previous year, even that of 1899, when many of the large trust combinations were formed. The largest and probably the most heavily watered combination launched was the United States Steel Corporation, with its $508,478,000 of common stock, $510,277,300 of preferred stock, and $304,000,000 of bonds. The mania for organizing new companies and making combinations of old ones on largely inflated capital spread to every State in the Union, and the promoters of industrial enterprises, in particular, seemed to be trying to surpass each other in piling Pelion on Ossa in excessive capitalization. Their obvious purpose in most instances was to sell the stock to the public, and the poor public took the bait and suffered accordingly, for much of the stock in a great many of the new schemes became almost entirely worthless, both as collateral and in the stock market, and the rest experienced very heavy depreciation, and, figuratively speaking, like the shaky corporations it represented, went limping along with an uncertain gait and a ragged and down-at-the-heel appearance suggestive of reduced circumstances and hard times.

In every State there was a flood, if not a deluge, of new companies. In New Jersey, 2,346 were formed in 1901, with a capitalization of $4,773,702,000, against 2,181 in 1900, with a capitalization of $1,350,208,400; and in New York, Ohio, and Texas the

incorporation mills were proportionately active in grinding out new companies with fictitiously large capital stocks.

Commercial and manufacturing corporations were practically unknown, that is, in any substantial form, in the United States till about 1850, and then they followed the development of the railways. In 1848 the first general corporation act, known as the Manufacturing Act, had been passed in this State, and companies began to be organized under it; but the law limited their capital and imposed other restrictions, whereas companies may now be incorporated for a thousand years with an unlimited amount of capital. The contrast between 1850 and this era of trusts marks the great and rapid progress of the country in the interval in population, commerce, manufacturing industry, banking, railway building, and general material prosperity.

The growth of trust companies has been the natural outcome of our industrial and economic development, and the freedom allowed by our laws in monetary affairs. In England, France, and other European countries the laws restrict corporation rights and privileges so rigidly that such companies would find it impossible to do business there as they do here. Hence trust companies have practically no existence except in this country. How immensely they have prospered of recent years the banks know to their cost. In 1882 the gross deposits of all such companies in the United States were $144,841,000. In 1892 they were $411,659,000; but after the new industrial combination era began, in 1897, they shot up with amazing celerity, and new companies sprang up like mushrooms in all our large cities, and here and there in small towns.

Being competitors of the banks they shared their business, and so prevented or limited their natural growth, and forced many of the bank consolidations that have since taken place. At the end of June, 1902, their deposits had mounted up to $1,525,887,000. Here was an increase of $1,114,228 in ten years to about half of the total individual national bank deposits of the country, for these on July 16, 1902, were $3,098,875,772. Moreover, in the city of New York the trust company deposits exceed, or did exceed, the individual deposits of the national banks, those of the latter on September 15, 1902, aggregating $603,565,374, while on June 30, 1902, the deposits of the trust companies, as shown by their semi-annual reports to the State Superintendent of Banking, were $760,776,124. This comparison is a very suggestive revelation of where the money goes and how the trust companies prosper at the expense of the banks.

In 1902, again, a few leading factors, or influences, controlled American finance, and shaped the real financial history of the year. These were the good corn crop, following the bad one, and other satisfactory harvests; the overstraining of American bank resources to supply the vast requirements of the new trust and flotation enterprises when the capital and currency of the country were required for its regular trade and ordinary business; the enormous increase in our foreign importations contemporaneously with a very heavy decrease in our exports; the great rise in the price of the raw materials used

in our manufactures, as well as in the cost of labor; the strenuous efforts of large speculative capitalists to extend and hold permanent control of their respective railway and industrial enterprises and undertakings; the reckless and unprecedented Vesuvius-like eruption of speculation in railroad and other stocks by wealthy and newly enriched Western stock operators known as "the Chicago Crowd" and "the Pittsburg Crowd," respectively, aided by heavy bank loans at high rates; and finally the refusal of the public to follow them any longer as buyers. This accords with what I have said about the influence of the conservative banks and bankers in calling a halt on the wild speculation for a rise which raged up to the latter part of September in that year.

The exploit, in 1902, of John W. Gates, backed by his speculative associates, in buying a majority of the Louisville & Nashville Railway stock, was his last successful venture to make a big haul of millions on the Stock Exchange. After that he and they met with very heavy losses in their continued efforts to boom stocks. But Mr. Gates was paid a profit of ten millions of dollars on his Louisville & Nashville purchases by J. P. Morgan & Co., a partner in that firm having made the bargain with him at the Waldorf-Astoria Hotel, at three o'clock in the morning, after it had been discovered that Mr. Gates had really bought control of the stock.

It transpired, in evidence, that Mr. Perkins had gone there at that hour for this purpose, and found Mr. Gates in bed. The object in giving him so large an amount above what he had paid for the stock he had just bought was to get him out of the way as a mischief-maker, for with him in control of the Louisville & Nashville, there was no telling what he would do to demoralize the Southern Railway system. He was looked upon as a bull in a china shop, to be coaxed and tempted out, regardless of expense, before he began to toss the crockery with his horns.

So when he said to Mr. Perkins, "As you want the stock so badly, to keep the Belmont board in control and protect the Southern Railway, I will let you have it if you will pay me ten millions more than it cost," the proposition was promptly accepted; and the deal was closed on this basis. The Louisville & Nashville and the Southern Railway companies were supposed to have been jointly interested in the purchase, but the Gates stock was finally turned over to the Atlantic Seaboard Air Line.

Buying control of the Louisville & Nashville by Mr. Gates was a far bolder operation than President Hill's purchase of the stock of the Burlington & Quincy for the Great Northern, or than the Moore Brothers' purchase of control of the Rock Island and their subsequent great inflation of its stock and bonded debt, because Gates bought it merely as a speculation, without any desire to manage the road. He was fortunate in being able to sell it so easily to those he had frightened by his daring coup.

It is interesting to compare the leading influences, or principal factors, in Wall Street in 1903 with those of 1901 and 1902. Stock Exchange transactions in that year were very much smaller than in 1902, but not nearly as much so as the total in 1902 had fallen

below those of 1901, the year of the greatest activity and excitement in this memorable speculative period. The sales in 1903 aggregated 161,099,800 shares, against 188,497,600 in 1902 and 265,945,700 in 1901. The largest total on any one day in 1903 was 1,539,000, against 1,996,000 in 1902 and 3,202,200 in 1901. The largest in any month in 1903 was that of January, 16,002,300, against 26,568,000 in April, 1902, and the smallest in 1903 was 10,731,000 in November, against 7,884,900 in June, 1902.

The barometer of the iron trade was still rising at the opening of 1903. Good crops had been gathered and were being sold at good prices; railway earnings were large, and railway companies were making heavy expenditures for new equipment and improvements, and every department of business and manufacturing industry seemed prosperous, with the iron trade enjoying its full share of that prosperity. So heavy, indeed, was the demand for iron and steel that the capacity of our works was unequal to it, and we were importing iron and steel largely, as we had been in 1902.

But in June the iron industry experienced one of its time-honored lightning changes. That barometer suddenly fell. The demand subsided with surprising celerity in all lines, and by November prices in some of these were fifty per cent. lower than in January. The boom in the iron trade which commenced in 1899 was at an end after lasting for four years. At the end of the year, however, the trade began to revive, and 1904 witnessed a slow but steady improvement in it, as the reports of the United States Steel Corporation's earnings have shown. Consequently that highly inflated company, after being forced in 1903 to suspend dividends on its common stock, was encouraged to continue them at seven per cent. on its preferred stock. But this carried cold comfort to the hundreds of thousands who had been impoverished by buying these stocks at the high prices at which they were floated here and in Europe.

Before the end of 1903 liquidation on a large scale in stocks had run its course and exhausted itself, and the market quieted into comparative steadiness; and in 1904 we had, on the whole, nothing more than a dull trading market, with the outside public very largely absent. But there has been a general tendency toward slow improvement, although the net earnings of both railways and industrial companies have, on the average, shown a heavy shrinkage, a reflection of the reduced volume of trade and more or less industrial depression following the overstimulated boom of previous years. Just as 1901 was the year of the most unbridled and unrestrained inflation, 1902 witnessed a constant battle against the tendency to a downward reaction, and 1903 saw and felt the reaction, which was all the more severe because it had been so long delayed.

In the cotton market, however, as wild and extraordinary a bull speculation raged in 1903 and the early part of 1904, under the lead of Daniel J. Sully in New York, and William P. Brown and a Southern clique in New Orleans, as ever excited the Stock Exchange. Through their manipulation, helped by the statistical position of cotton and the prospect of reduced production, cotton rose, under an enormous and unprecedented

volume of transactions, from about eight cents a pound here to seventeen cents, with frequent violent fluctuations, and Mr. Sully was avowedly planning to carry it up to twenty cents, when he found his resources insufficient to carry, on a falling market, the amount of cotton sold to him. So after going up like a rocket, he came down like the rocket stick, although his previous profits by the rapid rise had run into several millions. It was well that a halt was thus practically called to this excited speculation and excessive advance in cotton, for it had inflicted heavy losses upon spinners and caused the closing of many mills. Sully's failure was the logical result of a too daring speculative campaign, and reminds us of that vaulting ambition which overleaps itself and falls on the other side.

Glancing at other countries, I find that Canada made more material progress in 1903 than in any previous year in her history, business increasing substantially in nearly every branch of trade and finance, stimulated by bountiful crops and 150,000 immigrants. But in England the continued decline of British Consols to the lowest prices in a generation reflected a low financial barometer, the legacy of the costly South African war. France, however, made the best showing of the year in Europe in finance and general prosperity, while in Germany a vigorous industrial revival lifted that country out of its previous depression consequent on over-speculation and bank failures.

One question of great interest in relation to our new industrial combinations is whether a proper readjustment of their hugely inflated capital and excessive charges will place them permanently in a condition of efficiency, productiveness, solvency, and prosperity, or whether they will ultimately drift, one by one, into the hands of receivers through their inability to make both ends meet, or become hopeless wrecks, like the Shipbuilding Trust. The same fate is liable to overtake many other large flotations into which there was a too copious flow of water, supplemented by chicanery and misrepresentation. Many of these have been organized in disregard and defiance of legitimate finance, and have exposed the stock market and all the monetary interests depending upon them to risks and disastrous disturbances inseparable from organizations whose foundations rest largely on wind and water and on prospectuses and book-keeping that often failed to tell the truth, the whole truth, and nothing but the truth.

It was well that a stop was practically put to the creation of such inflated industrial combinations, as well as to needless combinations and highly inflated stock issues among the railroads for power and profit and stock-jobbing purposes, by the course of the Wall Street banking interest, to which I have referred, in coming to the conclusion that the over-watering of new companies, the marketing of new stocks, and the rise of prices on the Stock Exchange had been carried beyond the point of safety, and that the outside public had bought more speculative industrial and railway stocks than they would be able to carry on a falling market.

They argued, therefore, that their buying power and their inclination to buy were nearly exhausted, and that the stock market had become largely a field of action for certain heavy and reckless speculators, each of whom had suddenly made many millions by the formation of new trusts and railway combinations. Some of these had become multi-millionaires through the early sale of the heavy amounts of United States Steel stock they received in exchange for their plants when that huge corporation was launched in its sea of water. In this they were like some others who enriched themselves by their industrial combinations in the West before they branched out in Wall Street.

Very large bank loans to the brokers of these big operators were gradually called in and fresh accommodations refused them. Without loans it was impossible for them to buy and run up stocks to inordinately high prices, as they had been doing. Therefore they found that, to a large extent, their occupation was, like Othello's, gone. They were eagles with clipped wings.

The heavy liquidation by large and small operators in 1903 caused a heavy and almost continuous decline in prices on the Stock Exchange. Many rich men were compelled by this shrinkage and the calling in of their loans by the banks to sell out heavy lines of both railway and industrial stocks. Not a few of these lost practically all their capital, while nearly all the rest sold a large part of their best holdings to protect the remainder, which became unmarketable.

This period of liquidation and depression left Wall Street and the country at large in 1904 thickly sprinkled with poor rich men, capitalists with a good deal of property, real and personal, including stocks, but all unsalable in the market except at an almost ruinous loss. Their policy is naturally to hold on to what they have left till the tide turns, and if they are strong enough to be able to do this they will doubtless meet with their reward. History repeats itself in Wall Street as well as elsewhere, and with this prospect in view they can cheerfully say, as the old song says, "There's a good time coming, boys; only wait a little longer."

Meanwhile, those who were active in Wall Street during this eventful period of inflation and speculation must note, more than others, the vast change that has come over sentiment and opinion in Wall Street and everywhere else.

Both Wall Street and the outside public have lost the faith that they had in many of the stock-market leaders, the men who were once followed blindly in their schemes of inflation and regarded as omnipotent in their execution. The power and prestige of these leaders, for the present at least, have passed entirely away, and none are so poor as to do them reverence. The devotees of the Street no longer worship the old idols.

Wall Street and the public also lost faith in all new ventures and new railway and industrial bond and stock issues, as well as in the good judgment and good faith of the promoters and corporations concerned. The revelations of fraud, chicanery, and

excessive capitalization that have been made in the courts and elsewhere, have undeceived even the dullest and most credulous believers in the schemes and schemers that took the country by storm in the days of Wall Street's wild and pyrotechnical speculation.

Out of evil there cometh good, and this great change from blind credulity and inordinate inflation to discriminating distrust and severe contraction has exerted a wholesome effect in paving the way to a sounder, safer, and generally better state of things both in and out of Wall Street. But meanwhile one bad sign is noteworthy. The large corporations, being unable to market new bond issues, are borrowing heavily from banking syndicates at five to six per cent. on notes running from one to three years. There is danger in this, and the way of the borrower on these terms may, like that of the transgressor, be hard. But the end may justify the means; and the nation is still growing as rapidly and as grandly as ever in our history from ocean to ocean.

There is nothing to provoke pessimism in the magnificent strides we are making in the march of progress; Wall Street is always sure to reflect this progress and our growth in material prosperity, as well as any periods of depression we may encounter, for it is the great barometer not only of the country and the times, but very largely of the world.

CHAPTER LXIX.

REVIEW OF THE PANIC YEAR, 1903.

The year 1903 passed into history with few pleasant memories. To a great number of individuals it was a year of disappointment and loss. To the very few it was a year of golden experience, demonstrating anew that real success only comes from rigid adherence to sound business principles and abstention from illegitimate speculation. Those who remained steadfast to well-established methods of finance and business weathered the storms of the year with little injury; while those who defied economic laws and ventured on the untried highways to success were, later, chiefly engaged in repairing battered fortunes and gathering together their scattered senses.

Nineteen hundred and three was chiefly conspicuous as marking the culmination and collapse of the great trust movement which began five or six years ago. The country had fairly gone combination mad, both capital and labor emulating each other in the furious race toward combination and monopoly. All consequences were blindly disregarded, only the advantages of combination receiving any serious attention, and no regard whatever was paid to the workings of these huge combinations. Whoever pointed out their inherent defects, their defiance of natural economic laws, their ineradicable opposition to human nature, their socialistic tendencies, their opposition to individuality, their inability to suppress competition—whoever was bold enough to oppose these tendencies on such grounds was swept aside with contempt and indifference. This phase of the movement, however, was by no means the end of the trust mania. It received an enormous stimulus from Wall Street, where the clever promoter quickly discovered in the increased profits and power of these combines something new to capitalize. These forced profits, together with the premiums paid to original owners for control of good will and for promoters' commissions, were the basis of an enormous overcapitalization, the new concerns frequently being capitalized at several times their real value. Not less than $6,000,000,000 of these new creations was made within a few short years, forming the basis of a colossal speculation, backed by unequaled financial power and launched upon an unprecedented industrial boom. It is not the purpose of this brief review to cite instances of failure. Fortunately, the losses

resulting from inability to unload on the public fell chiefly upon those best able to bear them, the panic being strictly financial and, fortunately, not commercial or industrial. For the original shareholders in these combinations who failed to sell, the losses were chiefly on paper; but they were sufficiently heavy to seriously cripple many rich men whose fortunes had been locked up in these enormously inflated new creations. Syndicate after syndicate was formed to finance these organizations; some made fabulous profits, but others were closed out with heavy losses, bringing the country to the verge of the greatest panic in history. Fortunately, the country's general prosperity was only slightly impaired by the tremendous strain thus imposed on Wall Street. The storm was finally safely weathered because of the prudence of our bankers and the strength of our national resources, as well as the continued prosperity of the farmer, who once more proved himself the backbone of the nation. These experiences have effectually killed the trust mania, and its revival is exceedingly improbable. Big corporations, it is true, will remain, for the reason that they are the best known means of doing the world's work; but the era of excessive capitalization of good will, promoters' fees, monopoly profits, and the delusions of visionary economists is happily at an end. Whether the final days of reckoning for the trusts have been seen or not is a question that must be left until the ultimate test of business adversity is applied, which we sincerely hope is still far distant. At best, the future of the industrials is dubious. Along with, and as a natural sequence of, the trust movement came the labor movement. The power of combination once discovered was as badly misused by labor as by capital; even worse, for the demands of labor were pushed to such extremes of extortion and injustice as to throttle business and arouse popular indignation among those who still preserved some ideas of individual freedom.

Next to the trust movement the most potent influence in the business world was the simply phenomenal boom in the iron and steel trade. The world had never seen such rapid development before. This was based principally upon the enormous demands of American railroads, which have been practically reconstructed in order to meet the tremendous rush of traffic which the nation's growth has imposed upon them. The big car and the big locomotive necessitated heavier rails, new bridges, and new terminal facilities; so that hundreds and hundreds of millions were thus expended, very largely out of current earnings, but in many cases, also, by the creation of new capital issues. It is probable that the heaviest portion of this work has been done, yet much remains to be completed, and railroads will be heavy buyers of steel to continue projected improvements. Another powerful stimulus to the iron trade was the use of the steel frame building for office purposes. This meant a revolution in office buildings, and the business centers of all our large cities are undergoing a process of reconstruction which is far from complete, and was brought to an abrupt halt by the extortionate demands of labor. In addition to these two great sources of demand the uses of iron and steel are steadily extending with the progress of invention, the cheapening of their cost, and the

high price of lumber. The iron trade's pace was too rapid to last, and the reaction came with unexpected severity in the latter half of 1903, precipitated, of course, by the financial reaction, which, along with the labor agitation, discouraged all new enterprise.

CHAPTER LXX.

LEADING WALL STREET EVENTS UP TO THE FALL OF 1907.

The natural result of the panic of 1903, and the long period of depression in Wall Street, was that an unprecedentedly large surplus reserve was accumulated by the New York banks in 1904, reaching its maximum in August. This was still further swelled in 1905, when speculation for a rise again assumed formidable proportions, and new high records were made in the stock market. Both bank loans and deposits reached a magnitude never before known, and the activity on the Stock Exchange, combined with that in trade, and land, mining, and other speculations outside of Wall Street, caused the clearing house exchanges to greatly exceed those of any previous year.

Our foreign imports also increased till they made new high records, although our exports failed to keep pace with them. This large import trade reflected both the rising fortunes of the rich, who had suffered severely during the depression of 1903, and the general prosperity. Our imports are the barometer of the times. When these are good, they are large; but in bad times they shrink enormously, for a large percentage of them represent luxuries, and we are a luxury-loving people, and, in comparison with Europeans, our manner of living is expensive, not to say extravagant.

Before the end of 1905 the banks of the rest of the country followed those of New York in reporting deposits and loans larger than ever before, whereas in the early part of it their only high record was in the amount of their cash reserves. This showed the great demand for loans and discounts to meet the requirements of the rapidly increasing volume of trade and speculation.

The amount of money available for loans was largely reduced in the early part of 1905 by our heavy exports of gold. But it was subsequently increased by the issue, up to December 1st, of sixty millions in National Bank note circulation, which was so much fuel added to the fire of speculation, not, however, in Wall Street, as much as in the interior, where there was a rage for new enterprises of all kinds, mostly speculative.

Everyone with money enough to make a venture seemed to be seeking a short cut to wealth.

This inland speculation and business activity, particularly in the West and South, caused the exchanges or clearings of the banks all over the country, except in New York, which was comparatively dull, to reach larger totals than ever before. Our iron production and foreign imports, at the same time, made new high records.

The gold in the United States Treasury, owned by the Government, increased under the tariff on imports from $193,072,614, early in 1905, to $291,258,135, near the end, and the total amount held by it, including that held against outstanding gold certificates, increased to $816,354,352, the largest in the Government's history, and also the largest held by any government or institution in the world. The next largest sum ever held elsewhere was $591,600,000, by the Bank of Russia, in 1898. Yet on January 31, 1895, the total amount of gold held by Uncle Sam—that is, by the Treasury—was only $97,353,776, and on February 12th this had dwindled to $41,340,181, owing to the run on the Treasury through fear that the Government might be forced to suspend gold payments. But President Cleveland's prompt action in selling bonds for gold—to the Morgan-Belmont syndicate—averted this possibility.

Before glancing at more recent events, it is well to refresh our memories by looking back at the most conspicuous features of the stirring period in Wall Street's history, extending from the beginning of 1901 to 1906. In 1901 we had a year of extraordinary developments, including new company organizations and old company amalgamations, wild and reckless speculation by the outside public, heavy borrowing of European money to carry on this speculation, the failure of the corn crop, and, except for corn, a heavy fall in the prices of our products.

In 1902 Wall Street was flooded with new bond and stock flotation schemes, all clamoring for bank loans, although the activity of trade called for all the loanable capital available. Coincidently, there was wild and reckless speculation in stocks by newly made industrial millionaires with large bank resources and enormous loans at their command. The outside public, however, were not tempted by the bait they offered. Hence, the banks had an excessive burden of loans, all the greater because of the determination, at any risk, of the speculative capitalists to carry out their flotation schemes so as to control great industrial, railway, and other corporations. Meanwhile, there was an immense increase in our foreign imports and a decrease in our agricultural exports, and a great rise in raw materials and the cost of labor. But, fortunately, the year gave us a good corn crop and other satisfactory harvests.

Then came 1903 with its train of disasters. Investors took alarm at the masses of new securities thrown upon the market, and withdrew from it. The securities consequently became unsalable, and prices declined rapidly. This forced liquidation in bonds and stocks of all kinds, particularly the better kinds, to save the poorer from sacrifice by the

syndicates, corporations, firms, and persons who were over-extended and unable to respond to the calling in of loans by the banks and other money lenders. Wall Street was full of "undigested securities," on which it was impossible to borrow any longer. So multitudes of holders had to sell them for what they would bring. Then came a heavy decline in iron and steel, among other things, an equally heavy reduction of the profits of industrial corporations, with many corresponding reductions in dividends, and a very sharp contraction in our before greatly expanded foreign imports owing to the hard times. We had a rich man's panic, and plenty of poor rich men. But, again, we had abundant grain crops, although the cotton crop was very short, which resulted in our shipping more cotton to Europe in the autumn than ever before, while its price was abnormally high.

In 1904 we saw one effect of the depression of 1903 in the abnormally large surplus reserves of the New York banks, when money on call for about eight months loaned largely as low as one per cent. Only four times before had these reserves been exceeded. Then came the largest gold exports ever made by us. In June the stock market began to recover under spirited speculation for a rise, together with much buying by investors. But reckless professional speculators carried prices so high that the market collapsed in December. During the year there had been a slow yet general revival of trade, in the face of extremely high prices for cotton, resulting from a short crop and a bull movement, which paralyzed the cotton manufacture, and caused many mills to close both here and in England. But happily this was followed by the most bountiful cotton crop we ever had, owing to the high price of the staple having stimulated cotton planting all over the South. A heavy fall in the price of cotton resulted, in which the bull leader failed. But the grain crops met with disaster, and were the smallest since 1900, which resulted in the highest prices since 1898, and the smallest exports to Europe since 1872. The presidential campaign in the meantime passed without creating a ripple in the tide of Wall Street.

In 1895, simultaneously with much discussion of the world's increasing gold product, we saw both here and in the Old World, especially in the latter part of the year, unexampled monetary stringency with very high rates for money. The surplus reserve of the New York banks was wiped out twice, that is, they twice fell below the dead line of the required twenty-five per cent. reserve on their deposits, while the Bank of England's condition was the lowest since 1890, and the Bank of Germany's the lowest since 1897. Yet we had a very active and excited bull speculation in stocks, just as Germany had, despite the high rates for money, and its abnormal scarcity consequent on its vast employment in trade and speculative enterprises outside of Wall Street.

That the world's increased gold product largely stimulated speculation for a rise, both by adding to the amount of gold in circulation and the amount of paper money issued by the banks against it, is certain. Its effect has not been seen in lowering rates of

interest, but in lowering its own value, or purchasing power, by reason of its increased supply or, in other words, by raising the prices of stocks, commodities, labor, and whatever else money buys. So the increased supply of gold has only quickened the uses for it by fostering speculation, and the demand for speculation has outrun the increased supply of gold—that is, money—and correspondingly raised interest rates, as well as prices. In 1905 our national prosperity was crowned with abundant harvests, the corn crop having been the largest on record, and that of wheat the second largest. This gave a fresh impetus to trade and speculative enterprise, with increased railway and industrial earnings, and production, especially in iron and steel products, at a higher pitch than ever before. Dividends and reserves also increased in proportion. Russia's disastrous war was waged without causing any national disturbance in Wall Street, and her largely reduced crop of wheat helped us to secure better prices for our own surplus wheat in Europe. So it is an ill wind that blows no one any good.

In 1905, too, we witnessed the stormy upheaval in the Equitable Life Assurance Society, begun by the acrimonious duel between President Alexander and Vice President Hyde, which led to the general exposure of the waste, extravagance, graft, and corruption in life-insurance management, through the investigation of the New York Legislative Committee. The loss of new insurance business, caused by the popular distrust of the companies exposed, had its principal effect in Wall Street in their reduced power to buy bonds; and the prolonged stagnation in the bond market after they ceased to be large buyers was largely attributable to this cause. But the exposure was much needed and did great good in correcting abuses of power and turning the rascals out.

Our exports of domestic merchandise kept pace with our tremendous industrial prosperity, and these more than doubled in the ten years ending with June, 1906. Raw cotton, provisions, and iron and steel manufactures were exported in the fiscal year 1906 to a value exceeding $300,000,000, iron and steel showing the largest increase, and seventeen articles, or classes of articles, had an export value of from ten to forty-two millions. While iron and steel have taken third place, raw cotton still holds the first, and provisions the second, and copper manufactures have advanced from the eleventh to the fourth place. But refined mineral oil, that was third, is now the eleventh, and flour has dropped from fourth to seventh, although showing an increase of seven millions, and wheat from seventh to thirteenth.

On the other hand, our exports of agricultural implements were five times as great in 1906 as in 1896, which advanced them from the twenty-third to the fourteenth place in the list. Our cotton manufactures, too, advanced in value from twelfth to eighth, that is, from $16,750,000 to $53,000,000. There is, however, still room for a great increase in these, and the outlook favors a large and growing demand for them in China, the Philippines, and South America. We have become a great manufacturing and mining, as

well as agricultural, nation, and a lower tariff on raw materials would swell our exports enormously. That will come in time; but at present politics stand in the way.

In 1906 we saw a continuation of the same big bull speculation in stocks that, with varying fortunes, had been progressing since June, 1904, with Edward H. Harriman, president of the Union Pacific Railway system, and James J. Hill, president of the Great Northern Railway system, the most conspicuously dominant figures in the railway world, and, incidentally, in the world of Wall Street. Prices on the Stock Exchange, and the rates for money, both on call and time, were abnormally high, and still tending upward, till both frequently exceeded six per cent. in August, and, in some instances, jumped as high as thirty per cent. early in September, the excess above six, in the case of time loans, being represented by a commission. This, on the eve of the usual drain of money westward and southward, to move the crop, caused much anxiety for the future, as it was entirely without precedent in that month. But the Secretary of the Treasury, through bank deposits and gold imports, was relied upon to relieve the stringency when it became more acute later on, under the actual drain of money West and South. He did so by renewing his offer, made in April, to deposit gold with national banks when secured by bonds, to the amount of any gold they wanted to import, the deposits to be returned when the gold arrived. Thus they were saved loss of interest in transit, and gold was imported largely.

The money market seemed to have no terrors for the great speculative capitalists in control of the stock market. Prices were still bid up boldly, and the Harriman and Hill stocks, in particular, were marked up to figures never before quoted, just as Reading and the other anthracite coal stocks had been long before and have been since.

The chief sensation of the year 1906 in the stock market was produced by the Harriman announcement on Friday, August 17th, that the semi-annual dividend on Union Pacific had been raised to five per cent., or from a six-per-cent. per annum basis to ten per cent.; and that an initial dividend of two and a half per cent., or at the rate of five per cent. per annum, had been declared on Southern Pacific. These unexpectedly large dividends and the delay in making them known, after they had been acted upon by the directors on Wednesday, and finally on Thursday, greatly excited and disturbed Wall Street. They were dividends that staggered the bears and astonished the bulls, and caused an advance of sixteen per cent. in Union Pacific and five per cent. in Southern Pacific stock that day. They also made the whole market run into a wild bull speculation, stimulated by a rush of “shorts” to cover their contracts, and a sudden influx of fresh buyers from the outside public. Reckless buying by these made it easy for the bull leaders to run prices up sharply, especially as it was expected or feared by many that the example set by Union Pacific in dividend raising would, or at least might, be followed by certain other large companies, both railway and industrial, whether the

increase was justified by actual net earnings, or only intended for stock-jobbing purposes.

The criticisms of President Harriman and his associates to which these sensationally large and peculiarly announced dividends gave rise, were too trenchant to bear quotation or description. But Mr. Harriman was said to have added ten millions to his personal fortune by the rise in Union Pacific and Southern Pacific stock, which preceded and followed these very generous distributions to the stockholders.

The fact that Mr. Harriman, the son of a quiet country clergyman, should have been able to come into Wall Street and climb the ladder to wealth and power as he has done, and with such amazing celerity, shows the unlimited possibilities of the Street as a gold mine, for the Union Pacific Railway system, like the other great railway systems whose stocks and bonds have always been dealt in here, was practically born and financed in Wall Street. His rise to a position of such prominence and vast power is far more wonderful even than the career of Russell Sage as a Wall Street money maker; for Russell Sage never had any power but his money, whereas Edward Henry Harriman represents and controls thousands of millions' worth of other people's property, employing tens of thousands of persons. He is a moving spirit in dozens of banks and other corporations, including the Wells Fargo Express Company, outside of the Union Pacific and Southern Pacific system of railways and steamships. The great stock market struggle between Harriman and Hill for the control of Northern Pacific in 1901 was a battle royal on a grand yet disastrous scale, that will always be memorable in the history of Wall Street.

When Russell Sage died in July, 1906, within a few days of his reaching ninety years, leaving not far from a hundred millions of money, he left a will which reflected his sagacity as a money saver, for he left all he had, except a few unimportant bequests, to his wife. He did so, I infer, instead of distributing his great wealth himself, because he knew that the State inheritance tax would only be one per cent. on what he gave her, while it would be five per cent. on what he left to such relatives as he had surviving, as well as to all others.

It was, to a certain extent, "the ruling passion strong in death," for, of course, he knew that his wife had no use or desire for so much money. Although his bequeathing it to her was a tribute to her goodness and a symbol of their happy married life, she would probably have preferred to shoulder a much lighter load of wealth. Its distribution will be no ordinary task, although it will doubtless be a labor of love with Mrs. Sage.

Russell Sage, in his manner of life, all now agree, set a good example of frugality and industry in an extravagant and pleasure-loving age, and hence he is held by many to have been a public benefactor. His unusually economical and plain habits, together with his great wealth and great age, naturally made him conspicuous and also a target for the wits, and in this way he became better known through caricature than matter-of-fact

description. But that was one of the penalties of publicity. He passed from poverty to great wealth entirely of his own creation without being spoiled by it, and remained one of the plain, unpretentious people till the end.

He owed all he had to Wall Street, and his career illustrated, more than any other has ever done, how fertile a field for fortune making Wall Street may prove to a sagacious man, of untiring industry, who knows how to cultivate it, and can see and avail himself of its splendid opportunities. His rise from extreme poverty to immense wealth, through his own unaided exertions, shows how one man, single-handed, may do wonders and turn all he touches to gold, and that, too, in Wall Street. We are living in a stirring and rapidly progressive time, and the great and growing importance of the New York Stock Exchange was reflected by the rise in the price of a membership in it in 1906 to not very far from a hundred thousand dollars.

The year 1906 was one of immense activity and prosperity in trade. Prices were high and still advancing, and profits large, particularly those of industrial corporations. At the same time a mammoth bull movement was running its course on the Stock Exchange, and the grain crop turned out larger than ever before in our history, while enormous issues of new securities were announced by both railway and industrial corporations. These new issues severely taxed the resources of the money market, already being too heavily drawn upon by the "big men" of the Street to promote their wild bull campaign in stocks, and spasms of stringency were frequent. Indeed, the year 1906 from beginning to end witnessed a continuation of those inordinately heavy demands for money from Wall Street and corporations, and these led to the disturbed monetary conditions which were first felt in September, 1905. It was an eventful year, a year of immense activity on the Stock Exchange, in which much that was unprecedented occurred. It was a year in which the stock market, after touching high record prices and violent ups and downs, went gradually, in an excited speculation, from bad to worse, in a limited sense, or from one critical stage to another, till it reached the year's end. Then it averaged only nine per cent. below the highest prices. But it became, in spite of the boldest bull manipulation, gradually weaker and more demoralized. The bull movement at length met its Waterloo in the spring of 1907, because the plunging millionaires who had been bidding them up found no buyers for their stocks. So they had to liquidate heavily, like the rest. It was another rich man's panic.

From a slow and irregular decline stocks good, bad, and indifferent passed into the rapids of a bear market, with the bears, emboldened by success, recklessly aggressive, and on March 14th prices broke from ten to twenty-five per cent. under their fierce attacks, and relentless hammering, supplemented by an avalanche of long stock forced for sale under stop orders that had been reached, or through weakened and exhausted margins, or by holders unwilling to take any further loss.

Yet enormous as was this paniclike fall in prices on that disastrous day, many stocks went still lower in the breaks that followed the sharp rally that succeeded it. So March, 1907, ended as it began, in gloom and depression, which was followed by comparative dullness but little recovery in April and May. In June, however, it became evident that liquidation had exhausted itself, and all unfavorable factors had been discounted by the decline. Hence, although the market was almost entirely professional, with the outside public as apathetic as ever, it began to develop an upward tendency, notwithstanding the sharp rise in grain and cotton due to the extensive damage done by an unusually cold spring, and the fact that we shipped $15,000,000 in gold to France in June.

This vast and thorough liquidation had been mainly by the bull pools and richest speculative capitalists in Wall Street, and involved tremendous losses. These leaders of the bull movement had been caught overloaded with stocks, carried over from the previous boom that they had recklessly engineered. They were forced to sell because the banks were either calling in their loans, which they were unable to replace, or calling from time to time for more margin to offset the decline in prices. Thus their cash resources were being constantly impaired.

Meanwhile, money loaned at abnormally high rates, and five times in the spring, autumn, and winter of 1906 the New York banks showed a deficit in their reserve. Money, therefore, was very hard to borrow, because these giants of speculation had overtaxed the banks' resources by borrowing too much. Coincidently the outside public held aloof from the stock market, owing to the great activity of trade and the wild speculation in land, mines, building, and other new enterprises all over the country.

This speculation from Maine to California absorbed an immense amount of money, of which Wall Street saw nothing, and it left the large speculative holders of stocks without any market for them, except among the professional traders. No wonder they staggered, and finally, in the spring of 1907, succumbed under the heavy loads they were carrying, which they had mistakenly bid up to excessively high prices in a vain attempt to bring in the public as buyers. Wall Street was then the only blue spot on the map of the United States.

To relieve the pressure for money there, and so help to bull stocks, the large interests in Wall Street, excepting J. P. Morgan & Co., imported from Europe $40,000,000 of gold in the spring of 1906 and $45,000,000 in the autumn.

This last great importation caused the Bank of England to raise its minimum rate of discount from three to four, then to five, and then again to six per cent., the highest since the Boer War. The rate, it was intimated, would have been advanced to seven per cent. had we taken any more of the yellow metal. The purchase of so much gold in England was made possible only through the Secretary of the Treasury, Mr. Leslie M. Shaw, practically advancing the means for importing it by lending gold to the banks, secured by collaterals, the loaned gold to be returned when the imported gold arrived.

The spring gold importations followed the great San Francisco earthquake and fire, on April 18th, involving an estimated loss of $250,000,000. Most of this, however, fell upon British, German, and other foreign fire-insurance companies, which relieved this country financially to a corresponding extent, although New York shipped more than $50,000,000 of gold to San Francisco to fortify the banks in that city.

After the stock market had been sold to a standstill and its weak timbers eliminated, by May, 1907, it was only natural, in view of its previous drastic liquidation and heavy decline, that with good crop weather following the backward spring, stocks should advance. The keel of a future bull market of large dimensions had been laid by the disastrous liquidation that had occurred, and we subsequently witnessed its development on a rapidly ascending scale. It is a law of nature that action follows reaction.

This reminds us that Wall Street easily passes from one extreme to another, and that very often the dawn is nearest when the night is darkest, in finance as well as nature. Moreover, Wall Street is always with us, just as the poor are, and the stock market is a serial story that never ends.

In July, the improvement in the stock market, and especially the Harriman stocks, was very decided, with the indications favoring a wider and more active speculation, for as yet it was almost entirely professional. In this movement the Standard Oil and Harriman party were the bull leaders, with Union Pacific the leading stock. Notwithstanding their vigorous efforts, however, the outside public remained entirely apathetic, and there was growing anxiety as to the future of the money market. This was increased by our having, unexpectedly, to ship gold to Europe, nearly all of it to the Bank of France, as well as by depressed monetary conditions there, with much disturbance, under heavy liquidations, in London and Berlin. Even British Consols declined from week to week, till they touched 81, the lowest price recorded since 1848, the year of the Smith O'Brien rebellion in Ireland, when they sold down to 80.

Then came an angry and threatening contest, and stormy litigation, between the States of North Carolina and Alabama and the Southern Railway Company, involving also other Southern States and railways. The main conflict was between the States named and the United States Courts on the 2¼ and 2½ cents a mile rate law. This went so far as to cause a revocation of the license of the Southern Railway to operate its lines in Alabama. The situation for a time was extremely critical, but a truce was at length arrived at, the Southern Railway agreeing to obey the State law, and leave the ultimate decision to the United States Supreme Court.

While this disturbing controversy was at a white heat, the $29,240,000 fine inflicted by Judge Landis, of the United States District Court, at Chicago, on the Standard Oil Company of Indiana, fell like a thunderbolt upon not only Wall Street, but investors all over the country. This was on Saturday, the 3d of August, and it looked so like

confiscation, and so alarmed the large speculative capitalists, who had been supporting the stock market, that they at once withdrew their supporting orders and, for self-protection, became heavy sellers themselves of the stocks they held. They foresaw the effect of this disturbing decision, and the course of the Southern States towards the railways, upon investors, in causing liquidation. Simultaneously, a threatening report from the Bureau of Corporations added fuel to the fire of distrust.

Day after day, for twelve business days, following the opening of the stock market on Monday, the 5th, there was an almost uninterrupted and very heavy decline in prices for both railway and industrial stocks, the best and highest priced being the heaviest sufferers, and falling from ten to twenty-five per cent. The scare among holders of stocks increased as prices declined, and demoralization in the market carried these generally below the lowest in the panic of March. It was very largely another rich man's panic, due to fears as to what might come next to disturb confidence in the value and future dividends of both railway and industrial stocks. The worst of it was, the innocent were, as usual, made to suffer with the guilty. But after a storm there cometh a calm, and so it was in this case, and perhaps all's well that ends well. But the ordeal was a very severe one, particularly for the large holders of stocks, and made the year 1907 still more memorable than before.

Rumors of impending Wall Street and industrial corporation failures, as usual in times of disturbance, filled the air, but only one important industrial failure and one unimportant Wall Street suspension occurred in August, and the gradual return of confidence caused a gradual improvement on the Stock Exchange, although the semi-annual dividend on Southern Railway preferred stock was reduced from 2½ to 1½ per cent., and the dividends on Erie's first and second preferred stocks were declared payable in four per cent. scrip warrants instead of cash. Toward the end of the month the Secretary of the Treasury announced that weekly deposits would be made in the national banks till October 15th, and this at once began to ease the money market and further strengthen confidence.

Early in September, however, there came a relapse in the stock market, and another Stock Exchange failure. This recurrence of disturbance and depression was partly due to stagnation, followed by demoralization in the copper trade, both here and in Europe, which caused a reduction in the price of copper by the selling agency of the Amalgamated Co. from 25 cents a pound to 18 cents, and not long afterwards to 15 cents.

Meanwhile the Calumet and Hecla, the Quincy, and other copper companies had reduced their dividends, owing to the small demand for copper, and Amalgamated copper stock declined rapidly to 57½, against 121 in January. In Boston, also, the copper stocks broke in the same demoralized way under heavy liquidation.

Railway shares sympathized with this extreme weakness of copper and the copper stocks, but not as much as American Smelting, the U. S. Steels, and other industrial stocks, and gradually the copper crisis ceased to dominate them. At the same time the general market for both railroad stocks and bonds was strengthened by the great success of the $40,000,000 issue of 4½ per cent. bonds by the City of New York, the loan being five times over-subscribed. This showed there was a large amount of money in the country awaiting investment in good securities. Yet, later, new low records were made for sundry railway and industrial stocks, including Southern Railway common and preferred, and the stock market, in its nervous and irregular fluctuations, told of the timidity of the bulls and the boldness of the bears, consequent on shrinkage in the iron trade, and uncertainty as to the business future.

CHAPTER LXXI.

THE GREAT CRISIS OF 1907.

The worst forebodings of September were far more than realized in October, when the monetary disturbance, and distrust of credits, spread from the Stock Exchange and Wall Street to the banking interests, and involved the whole country in a panic that will always make the year 1907 memorable in our history.

Until the collapse in the "Curb" market of the stock of the United Copper Co., followed, on the 17th of October, by the failure of the two Stock Exchange firms that had been manipulating this Heinze specialty for Heinze interests, the panicky conditions of the year had been practically confined to the stock market and the interests directly affected by it. But that collapse, involving those Heinze failures, fell like a bombshell not only on the stock market, but on the banks of which F. A. Heinze, the president of the United Copper Co., had, not long before, purchased control. The fact that two of his brothers were members of one of the failed firms—Otto Heinze & Co.—caused heavy withdrawals of deposits from these banks, and particularly the Mercantile National Bank, of which he had become the president.

The New York Clearing House Committee took alarm the same day and examined the Mercantile. The result was that it demanded the resignation of all its officers and directors that night, as a condition preparatory to giving it any assistance. They complied, President Heinze among them, and the bank was assisted to pay its clearing-house balances for several days. But these were so large that further assistance was then refused. Thereupon one of its old directors succeeded in bringing in new capital and new directors on the day following, Sunday, so that the bank was enabled to continue business without a break.

But meanwhile the contagion of distrust was spreading, and there was a run on the deposits of not only the Heinze but the Thomas and the Morse banks, the Thomases and the Heinzes having been equally prominent with Morse in buying control of banks for speculative purposes. The Clearing House Committee took them all in hand, and demanded the resignations of their officers and directors. In this way they stamped these

bank promoters out of the banks they had managed to get control of. Then the banks were assisted.

Suspicion soon fell upon certain trust companies with speculative affiliations, more or less connected with the same promoters. Suddenly a heavy and spectacular run upon the Knickerbocker Trust Company, the second largest in New York, with more than sixty millions of deposits, caused it to close its doors on the first day of the run. This was on Tuesday, the 22d of October. The immediate cause of the run was the resignation, on the previous day, of Charles T. Barney, its president, coupled with the notification to the banks of the National Bank of Commerce, on the same day, that it would not clear for the Knickerbocker Trust Co. after the following day. So, this being published in the newspapers, the depositors rushed to withdraw their deposits.

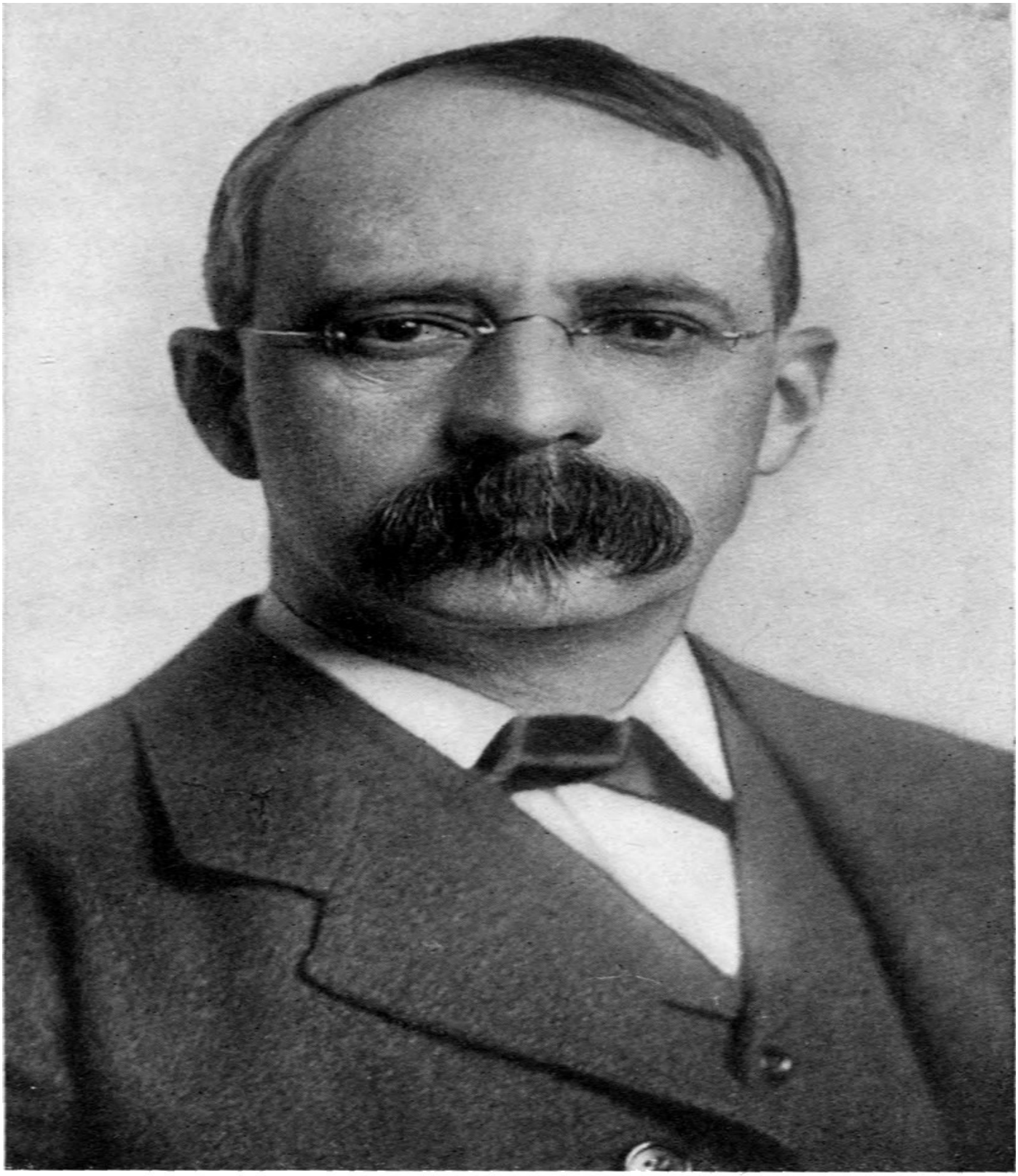
The Clearing House and Mr. J. P. Morgan, when appealed to, refused to assist the Knickerbocker on the ground that they found it was not solvent. The collapse of the Knickerbocker was immediately followed by extensive runs on small banks and trust companies in New York and Brooklyn, as well as on the savings banks, and about a dozen of the former, including seven in Brooklyn, closed their doors. But the savings banks took advantage of the sixty and ninety days' time allowed them by law for the payment of deposits after notice.

Following these minor banking suspensions there were long-continued runs on the Trust Company of America and its Colonial Branch, and the Lincoln Trust Company, with all-night lines of waiting depositors. But, finally, after a hard struggle, these were examined by Morgan committee experts and found solvent, whereupon, in the banking conferences held for a number of days and nights at the residence of Mr. J. P. Morgan, it was agreed to provide them with all the money necessary to meet the run. To Mr. Morgan great credit is due for the arduous work he undertook to better the banking situation in this critical period of storm and stress.

New low records for stocks were made meanwhile under very heavy liquidation, Union Pacific touching 100, and Amalgamated Copper 41¾, on the 24th of October, and all others sinking to lower depths in about the same proportion, while the abnormal scarcity and high rates for money caused trading on margins to be generally suspended by brokers. Transactions were, of course, largely curtailed by being placed on a cash basis, but the buying of odd lots for investment was very heavy all through the crisis. The decline in Amalgamated was accelerated by copper selling down to 12 cents a pound. But much of the liquidation in the stock market was caused by the banks and trust companies calling in their loans on stock collaterals, and thus forcing the borrowers to sell.

The hoarding of money, and the withdrawal of deposits from the banks and trust companies, became so extensive that these institutions had little or none to lend, and for

several days call loans were made on the New York Stock Exchange at rates ranging from 50 to 100 per cent per annum, and in exceptional instances as high as 125.



The United States Treasury came to the relief of the money market by making—under the personal direction of Secretary Cortelyou—unusually heavy deposits in the National banks of the City of New York, as well as in other cities which were drawing heavily on their New York balances. But still the banks and trust companies continued to lose their ordinary deposits rapidly, and the money thus withdrawn by the timid and distrustful was taken out of circulation by being placed in safe-deposit boxes, tin boxes, wallets, and other receptacles. This hoarding was foolish, as well as harmful and un-American.

New York had to deal with a banking crisis. So, on Saturday, the 26th of October, the members of the New York Clearing House met, and resolved to issue, on and after that date, Clearing House certificates—bearing six per cent interest—to be used by the banks of the Association in paying their daily balances at the Clearing House, instead of currency. These the Clearing House at once began to issue, when called for by any bank, to the amount of 75 per cent of the value of any acceptable assets it might deposit with the Clearing House. This gave immediate relief to the banks, and especially those whose reserves of currency were most largely depleted, for they immediately availed themselves of their issue.

At the same time they saw that, in addition to the government deposits, large importations of gold were necessary to replace, at least in part, the hoarded money, and aid in restoring confidence. The Clearing House certificates, by releasing much of their gold and legal tender notes, enabled them, through "cable transfers," to purchase gold in England for shipment to New York, and by the end of the first week in November $50,000,000 had been purchased by banks and bankers for shipment to the United States, and nearly half that amount had already reached New York. But some of the importing banks were in other cities, including Chicago, Philadelphia, Boston, Pittsburg, and San Francisco.

These heavy importations, however, disturbed the London money market, and on Thursday, the 31st of October, the Bank of England raised its minimum rate of discount from 4½ to 5½ per cent, to check the outflow of gold. This not proving sufficient, it raised it to 6 per cent on the Monday following, and to 7 per cent on Thursday, the 7th of November, a higher rate than had been reached since 1873, the year of the great panic

in this country and in Germany, when the Bank of England rate was advanced to 9 per cent. But once, in 1866, it went up to 10 per cent.

The Bank of France also, on the 7th of November, 1907, raised its rate from 3½ to 4 per cent, owing to the drain of gold to this country; and such an advance is very rare in France. For seven years, up to the spring of 1907, it had stood at 3 per cent. The Bank of Germany also advanced its rate to 7½, and the Bank of Belgium to 6 per cent. These rates showed how severely the loss of this gold was felt in Europe. By November 16 our gold purchases aggregated $70,000,000.

In the interval the clearing houses in all the large cities of the United States had, in self defence, followed the example of New York in issuing clearing house certificates. Currency, too, had been selling at a premium ranging from 2½ to 5 per cent for certified checks, owing to its great scarcity. At Pittsburg the Stock Exchange was closed immediately after the announcement of the failure of the three Westinghouse companies there. Other failures were very numerous.

In Pittsburg, Chicago, New Orleans, and many other cities, the local clearing houses printed clearing house checks of small denominations, from 25 cents or one dollar up, to be taken out and paid out by the banks instead of currency, when found necessary. Several of the Western Boards of Trade closed, owing to the demoralization in the grain market, caused by the heavy decline in prices under the rush to sell in order to raise money, while many banks all over the country issued their own cashiers' checks for both small and large amounts, instead of currency or clearing house certificates, in payment of depositors' checks. The banks were in a partial state of suspension from Maine to California.

The extent of the drain on bank reserves may be inferred from the fact that the statement of totals for all the New York associated banks for the week ending on Saturday, November 2, showed that they were collectively $38,838,825 below the dead-line of 25 per cent reserve on their deposits, without counting Government deposits, which had been very large. The detailed statement of each bank's condition was not published on that date, and continued to be withheld till after the crisis had passed into history.

This large deficit of the New York banks caused much uneasiness and a further sharp decline in the stock market, but the frequent day and night conferences of leading bank officers with Secretary Cortelyou and Mr. J. P. Morgan, to devise ways and means of relieving the extreme stringency and distrust of the monetary situation, were productive of much good. This was especially the case in bringing the trust companies together to act as a unit through a committee, of which Edward King, President of the Union Trust Co., was made chairman. This committee was organized in the office of J. P. Morgan & Co., which, indeed, was the headquarters for all banking relief outside of the Clearing House.

Unfortunately for Europe, our purchases there of so many millions of dollars' worth of gold, within three weeks, seriously unsettled the London, Paris, and Berlin stock exchanges, and a continuous decline in stock and bond prices attended its export to this country. But, notwithstanding the relief we obtained from this great source, the banks here still continued under a heavy strain. An indication of this was found in the statement of the New York Clearing House, giving the totals for the week ending on Saturday, the 9th of November, the third week of the acute stage of the crisis.

It showed that the deficit of the associated New York City banks, in their legal reserve, had increased $13,085,800 over that of the week before, making their total deficit $51,921,625. But as the Clearing House statements are made up on averages for each week, and not on the actual condition of the banks at the end of the week, the gold imported was only credited from the dates on which it was received by the banks. Moreover, this statement was made on rising averages, that of the week before on falling averages.

A conspicuously important feature of the arrangements made at the Morgan conferences for supplying the needs and taking care of the Trust Company of America was the sale, at par—$100 a share—of the majority of the stock of the Tennessee Coal, Iron and R.R. Co.—which had been largely hypothecated with it—to the United States Steel Corporation, payment for the stock to be made in its 5 per cent sinking fund bonds at 84. This exchange of Tennessee stock for the Steel bonds was promptly made through J. P. Morgan & Co., on and after November 7, thus adding another large property to the many other subsidiary properties of the U. S. Steel Corporation.

This transfer was one of the most notable events of the memorable panic year—1907—the wreckage of which it will take a long time to clear away. But meanwhile the country will have started on a new career of prosperity, and with eighty-four millions of people to develop its boundless resources, we need have no fear but that its recovery will be rapid, and its future as great and grand as we could desire. Moreover, it will be all the better and stronger, and all the higher in its business standards, for the severe yet purifying ordeal through which it has passed.

CHAPTER LXXII.

THE CAUSES OF THE CRISIS OF 1907.[2]

2. An address by Henry Clews, LL.D., delivered at Cooper Institute, New York City, February, 1908.

The wiseacres in Wall Street and elsewhere had to take many sledgehammer blows in this panic year. They had become like Tom Toddy—too big-headed for their bodies. When a man knows it all, then his danger commences. My advice is, never follow such a leader, but wait patiently and the time will come when you can safely copper him.

In September, 1906, when stock and bond prices were advanced abnormally to a 3½ to 4 per cent basis, while six months' money was loaning at 6 per cent, it was evident that one or the other was too high; and considering the growing demand for the use of money it was quite apparent it was not money that was too dear, but securities. At that time I persistently advised everyone to get out of stocks and out of debt, and keep out for a prolonged period, only making quick turns meanwhile.

Since then security values have gone down prodigiously—$3,500,000,000 will scarcely cover the depreciation of those dealt in on the New York Stock Exchange alone; so those who took my advice and got out at top prices can well afford now to buy back their stocks, if dividends are not reduced. No one can foresee changes in these. But everything that is good is fairly cheap and below intrinsic value, based upon present returns. Our financial situation is vastly different to any previous one after great panics, of which there have been many, since the one of 1857 brought on by the failure of the Ohio Life & Trust Co., at the time of my advent in Wall Street: so I have been in all these panics.

The conditions now differ from those of all the other great financial storms because the wealth of the nation has become so vast as to make it the richest in actual wealth and productiveness, per capita, of all nations. As a matter of fact, our wealth-making developments have been so excessive as to have forged ahead of our banking facilities. This has had much to do with our recent setback. Wise and sagacious capitalists saw the handwriting on the wall in Wall Street and elsewhere, and those who did unloaded their

securities last year, dumping their stocks at top-notch prices, amounting to at least $800,000,000, upon weaker-backed people.

This unloading, together with the San Francisco earthquake disaster, wiped out, in prices, $350,000,000 of property, and struck the staggering blows which did more than anything else to pave the way to the recent panic conditions. The selling out by big holders was followed by all the large railroad systems in the country selling bonds, stocks and notes. These, being offered to stockholders of record at apparently tempting prices, were floated. This great mass of new securities coming on the market was an indigestible one and absorbed the capital of a very large number of the rich men of the country and put it in a fixed form: and most of these heretofore very rich men have ever since been in the position of a man who, having had a "Sherry dinner," is urged to accept the hospitality of a friend to take a "Delmonico dinner."

What produced the panic was a number of adverse factors happening one after another in rapid succession. The first was the unloading by sagacious holders of securities at high prices; the second was the immense creation and selling of new securities by the railroads for improvements; the third, the revelation of scandals started by Mr. Hughes, the investigator of the life insurance companies. We all know what happened in that connection. Then came the Interstate Commerce examination of Mr. Harriman as a witness and his revelations under oath; then the $29,400,000 fine by Judge Landis on the Standard Oil Co. of Indiana, and finally, the insistence by Governor Hughes, against overwhelming opposition, of the passage of the Utilities Bill, under which the investigation of the Metropolitan Surface Railroad was started and which unearthed what really caused the shares of that great company to fall from their high price of $127 per share to $20 a share—about the present price. This was the straw that broke the camel's back and caused an entire breakdown of confidence; which is usually the major part of the foundation of credit. The undermining of this caused the closing of the doors of the Knickerbocker Trust Co. Then a state of chaos ensued and bedlam broke loose, and almost everybody in Wall Street stood aghast wondering what would happen next.

As I have faithfully presented my side of the case to you, in a crude way, I ask you, as though you were impaneled on a jury, the question: Why should all the blame of producing the recent panic be laid to President Roosevelt? The real causes of all the trouble can be summed up as follows: (1) The high finance manipulation in advancing stocks to a 3½ to 4 per cent basis, while money was loaning at 6 per cent and above, on six and twelve months' time on the best of collaterals; (2) capital all over the nation having gone largely into real estate and other fixed forms, thereby losing its liquid quality; (3) the making of injudicious loans by the Knickerbocker Trust Co., hence suspension; (4) the unloading by certain big operators of $800,000,000 of securities, following which were the immense sales of new securities by the railroads; (5) the

California earthquake, with losses amounting to $350,000,000; (6) the investigation of the life insurance companies; (7) the Metropolitan Street Railroad investigation; (8) the absurd fine by Judge Landis of $29,400,000 against a corporation with a capital of $1,000,000; (9) the Interstate Commerce Commission's examination into the Chicago & Alton deal and the results thereof.

These were substantially the causes which led up to and really brought about our present disastrous condition. Did President Roosevelt do any of these things? Not one of them. But Governor Hughes was the brilliant investigator of the life insurance companies, and also unearthed the Metropolitan Railroad scandal through being the author of the Public Utilities law. Yet Mr. Roosevelt is condemned by many, while Mr. Hughes is praised by the people all over the country. I ask on this showing if there is any justice in putting the entire blame for the present disturbed state of financial affairs upon President Roosevelt's shoulders, without including Governor Hughes, as both have been equally engaged in the same reform movement.

I am not willing to affirm that either is to blame, for both have simply done their duly in enforcing the laws, and exposing wrongdoing. How in my opinion the market will turn permanently when the big men of Wall Street commence to take back what they sold, which they can already do at a difference in prices of from 30 to 50 per cent. With the $70,000,000 of imported gold here and on the way from Europe, together with an increase in bank notes, there will soon be no lack of money in this country. What is now wanted is more confidence to increase credits. To import more gold will embarrass London and other foreign money centers. This should be avoided by stopping further gold imports. Cheap money alone will not of course put up stocks. The governing factors will be the state of trade, and net earnings, and the "big men" will be governed by these.

CHAPTER LXXIII.

RECENT MEN OF MARK.

Charles M. Schwab.

Born in Pennsylvania, May 30, 1851; rose, from the bottom, to be President of the Carnegie Steel Company, then, on its incorporation, became President of the United States Steel Corporation, but resigned, and later became President of the Bethlehem Steel Company; has large mining interests, especially in Nevada; he travels much, but resides on Riverside Drive, New York, in one of the largest houses in the city, built as an exact copy of a historical French château near Paris.

Daniel Gray Reid.

Born in Richmond, Ind., August 1, 1858; became Vice-President of Second National Bank there; then went into the tin plate industry, and in 1895 became one of the organizers of the American Tin Plate Company, afterwards merged in the United States Steel Corporation; removed to Chicago in 1897, and to New York in 1899, and was one of the Executive Committee of the United States Steel Corporation when organized in 1901; also became a director and leading spirit in the Rock Island Railway Company in association with the two Moore brothers, William H. and James Hobart, the Chicago reorganization lawyers. All three are now residents of New York.

Thomas Fortune Ryan.

Born in Virginia, October 17, 1851; came to Wall Street in 1870 from Baltimore and the drygoods trade; became prominent in the consolidation and extension of metropolitan street railroads, and also gas and electric light systems here and in Chicago, and in the American Tobacco Company, and later bought control of the stock of the Equitable and the Washington Life Insurance companies; has been director of many other corporations, and is also Vice-President of the Morton Trust Company.

John Warne Gates.

Born at West Chicago, Ill., 1855; kept a hardware store there; then became salesman in Texas for barbed wire; later established the Southern Wire Company in St. Louis and Braddock Wire Company near Pittsburg; after absorbing two other companies, sold out to Federal Steel Company, which was then absorbed by United States Steel Corporation. He thus acquired great wealth, and became a large operator in Wall Street, and organized the firm of C. G. Gates & Co., now dissolved. After buying control in the open market of the Louisville & Nashville Railway, he sold it to J. P. Morgan & Co.

August Belmont.

Born February 18, 1853; son of the late August Belmont, and head of August Belmont & Co., bankers, and New York representatives of the Rothschilds; is President of the Interborough Rapid Transit Company and other corporations; also of the Coney Island Jockey Club and other turf organizations, and keeps up a large racing stable, is also a director in a number of banks and railways and other companies, and politically, like his father, a leading Democrat; is a member of many clubs and associations; graduated at Harvard in 1875, and has a New York residence at 44 East 34th Street, but lives much of the year at his country home at Hempstead, Long Island. He is well known, too, as the financial director of the Belmont Tunnel, across the East River, between New York and Long Island City.

William H. Moore.

Born in Utica, N. Y., October 25, 1848; located in Chicago with his younger brother, James Hobart Moore, in 1873, and both were admitted to the Illinois bar, and practiced as W. H. & J. H. Moore, making a specialty of reorganizing corporations; reorganized the Carnegie Steel Company, and formed the four corporations in "the Moore group" that were absorbed by the United States Steel Corporation; later controlled the Rock Island and other railway and industrial corporations, partly in conjunction with Daniel Gray Reid.

Anthony Nicholas Brady.

Born at Lille, France, August 22, 1843; came to the United States with his parents when a child; opened a tea store in Albany in 1864, and afterwards other tea stores there and in Troy; became a promoter and director of gas and electric light corporations in Albany, Troy, Chicago, New York, and other cities, and, later, of street railway companies in Brooklyn and elsewhere; acquired a controlling interest in the People's Gas Company of Chicago and a very large one in the Brooklyn Rapid Transit Company, into which he merged his Brooklyn companies; is also a large stockholder in the American Tobacco Company and many other industrial companies; resides at 411 State Street, Albany, but his office is at 54 Wall Street.

Stuyvesant Fish.

Son of the late Hon. Hamilton Fish, Governor of the State of New York and Secretary of State in General Grant's Cabinet. Born June 24, 1851, at New York, N. Y. Educated at Columbia College, New York, graduated 1871. Entered railway service October 1, 1871, after which he, up to June 20, 1872, became clerk in the Illinois Central Railroad, New York office; June 20 to October, 1872, secretary to president of same company; November 1, 1872 to December 31, 1874, clerk with Morton, Bliss & Co. at New York, and Morton, Rose & Co. at London; January 1, 1875 to March 15, 1877, managing clerk Morton, Bliss & Co., holding their power of attorney; December 14, 1876 to March 6, 1879, member New York Stock Exchange; March 16, 1876, elected Director Illinois Central Railroad, and appointed treasurer and agent for purchasing committee New Orleans, Jackson & Great Northern Railroad; November 8, 1877, elected secretary Chicago, St. Louis & New. Orleans Railroad; and March, 1882, vice-president Chicago, St. Louis & New Orleans Railroad; January 7, 1883 to April 2, 1884, second vice-president Illinois Central Railroad; April 2, 1884 to May 14, 1887, vice-president; May 18, 1887 to November 7, 1906, president same road; President American Railway Association April 27, 1904 to April 25, 1906; Chairman Seventh Session International Railway Congress, Washington, D. C., May, 1905. Elected Director of the National Park Bank, March, 1883, and so remains; elected a Trustee of the Mutual Life Insurance Company of New York in the year 1888 and continued as such until February 23, 1906, when he resigned. What Mr. Fish did for the Illinois Central Railroad Company while its President, is shown in the following extract from the London *Statist*, and also in the Annual Reports of the Directors of the Company, which make a marvellous exhibit of Mr. Fish's able and sagacious management during his long régime:

The Illinois Central is the most important of the systems running north and south between Chicago and the Gulf of Mexico. At one time its prosperity chiefly depended upon the cotton crop; but although this crop still gives it a large traffic, its prosperity has been built up by the acquisition of a large share of the grain and maize traffic. In the old days corn, or maize, was sent through the Western States for shipment *via* Boston, New York, and Baltimore, but the Illinois Central has now succeeded in diverting a vast portion of it to New Orleans. It now derives its revenue from carrying a large traffic at low rates in competition both with the Eastern lines and with the water transit of the Mississippi; In recent years the Company has built extensions which now enable it to participate in the coal and iron ore traffic required by or originating in the Birmingham iron district. The Illinois Central has always enjoyed good management. In its early days, when the accepted principle of railway working was to charge high rates and to carry very little traffic, its policy conformed to that of other well-managed undertakings. For the past twenty years its policy has changed; it has sought to render to the public the

maximum of service for the lowest possible rate. The success of this policy has exceeded all expectations. In the twelve months to June 30th last the Company carried traffic at a lower rate than ever before, and yet obtained a record profit, both actually and relatively to its capital expenditure. This success has resulted from good management, economy of operation, and economy of capital expenditure.

GOVERNOR HUGHES AND WALL STREET.

In respect to the present agitation at Albany, as recommended by Governor Hughes, to investigate Wall Street methods, I do not hesitate to say that as the head of the firm of Henry Clews & Co. I am perfectly willing at any time to allow a representative, appointed by either the Federal or State authorities, to examine the books of my firm, as the result of such an examination can reflect nothing but credit on our business methods. I should, however, object and refuse to show, in any instance, the names of our customers, as our relations with them are confidential and will not be betrayed. Ever since our firm was established we have made a practice of issuing notices of purchases or sales to clients, giving in each case the name of the broker from whom bought, or to whom sold. This is now, I believe, the custom in other offices, and is a guarantee that brokers execute the orders on the floor of the New York Stock Exchange.

CHAPTER LXXIV.

NEEDED PUBLICITY AND REFORM IN CORPORATIONS.

Years ago I saw the inevitable end of the methods of some of the unscrupulous managers and manipulators of corporations, and began to agitate the employment of certified public accountants to examine into, and report to the stockholders, the true condition of the companies involved. Had my suggestions been adopted there would have been little cause for the recent investigation by the government officials, as the reform now sought would have been accomplished long before the present stringency of money became a disturbing element all over the world, and would not have led to the semi-panicky conditions which prevailed so disastrously in 1907. An address on "Publicity and Reform," which I delivered before the Wharton School of Finance, University of Pennsylvania, in April, 1906, includes my urgent adoption of the policy I have referred to, and reads as follows:

We live in a progressive age, and we are at present passing through a period of salutary business reform. This reform means improvement, and business men of all kinds should help and not retard it. The banking, railway, and insurance communities should, in particular, do all they can to promote it and invite the fullest publicity as to their transactions and methods of doing business. In this connection the opposition developed in the New York Legislature to the investigation of the banks was a mistake of judgment, because it was calculated to excite distrust, whereas willingness to submit to thorough investigation would allay it.

This opposition drew more public attention to the agitation for a general bank department examination than would otherwise have been attracted to it, and the unwillingness to submit to it suggested that there was a screw loose, or something to conceal in connection with some of the State banks; and that they were therefore vulnerable to attack, or at least open to criticism. This suspicion those concerned should have avoided by not only boldly facing the legislative music, but inviting it and leaving everything open and above board. Corporations and banking and mercantile firms that

become at all objects of suspicion should, in their own interests, speedily clear themselves, by inviting the fullest examination and publicity. Unsoundness and irregularity, if such existed, would thus be exposed and weeded out, instead of being nursed in secret, and so doing harm and impairing confidence in corporations and firms perfectly sound and regular in their methods and practices. The sound concerns would stand better than ever after passing through this ordeal of publicity. The New York Legislature, as well as the Legislatures of the other States, should respond to the popular agitation for publicity by passing laws requiring all corporations, including banks and trust companies, to make at least semi-annual reports of their condition, certified to by registered public accountants, with power invested in the State Superintendents to order special examinations by such accountants, at any time, when deemed necessary; that is, whenever they were suspected of being unsound or irregular in their business methods. This should be done for the protection of others as well as to clear them of suspicion and restore their credit, if found to be sound and straight. Only the insolvent and the crooked would have anything to fear from this wholesome publicity.

In this way disaster might be averted and impaired confidence promptly restored. I lay stress upon the employment of skilled accountants because the certified results of their examinations would be accepted as conclusive of the actual conditions being as they stated or described. They would speak with authority. It should be made a felony for an accountant to make a false or misleading report, and he should ever after be disqualified from practising.

To meet the growing demand for them, every college and university should have a department for the special training of accountants, who on graduating should receive a diploma or degree, as in the medical or legal profession. Already the position held by certified accountants is high, but it should be raised still more by the action of the universities and colleges. Some of these have established departments for accountants, where the students undergo thorough training by men who have had practical experience in the profession, but all institutions of learning ought to have them and maintain them in a high state of efficiency in view of their importance to the business community. The opposition to publicity shown by the New York State banking interest, as represented in the Legislature, where it has choked off probing, has thereby aroused fresh suspicions and much adverse criticism. It is not surprising that many are led to suspect that there is much concealed that ought to be revealed.

The strong desire for secrecy in the management of corporations, especially with life insurance companies, is obviously in defiance of public sentiment, and the Legislature should now make the house-cleaning thorough while it is about it. If it does less it will fail in its duty.

It is indeed very surprising, under the circumstances, that the officers and trustees of the great life insurance companies should have supposed that anything short of complete cleansing and purification would satisfy their policyholders and the public.

The bankers of the country are, more or less, intimately concerned in seeing this Augean insurance stable thoroughly cleaned out, for, unless it is, distrust will linger, and the life insurance taint will, more or less, continue to extend to the banks, bankers, bond dealers, and trust companies, with which the life insurance companies necessarily have to do business.

For the banking interests to virtually ignore the past, and say to the life insurance companies, "Go, and sin no more," would be pusillanimously evading the requirements of the situation. The cloud that drifted over Wall Street from the insurance investigation must be entirely dispersed by the fullest investigation and publicity and the establishment of a new regime in insurance management and its banking methods and affiliations.

It is the duty of life insurance trustees to co-operate to this end, and for them to refuse to do so is to imply consciousness of their own inability to stand the searching ordeal. If such there be, owing to their purchases or sales of securities, in connection with their respective companies, or any other doings that cannot bear the light or are open to criticism, they should be ventilated and exposed without fear or favor.

The efforts to smother further life insurance investigation, which had their counterpart in the opposition to the proposed banking department investigation, should be frowned down by public opinion, both in the interests of morality and good business practices. The banks and the banker should, like Caesar's wife, be above suspicion, and not less so the life insurance manager and trustee.

Turning to the railways, we find the need of stricter laws in matters that favor a few at the expense of the many, as, for instance, in the giving of rebates. To prevent these, not a mere fine, which can be easily paid, should be imposed, but the offence should be made a misdemeanor, punishable with imprisonment. Railway officials would then, with the danger of an indictment and a term in prison before them, hesitate to violate the law. For their own reputation, as well as for the sake of their families, they would be likely to avoid that secret and unlawful rate-cutting, disguised by the payment of rebates, which has done so much in the past to foster unholy monopolies and crush competition to the ruin of thousands.

In the lime-light of publicity the irregular rebate practices of the railways, for the benefit of large and favored shippers, would be impossible; and equally so would have been the go-as-you-please and extravagant management of the life insurance companies as revealed by the insurance investigation. Under the new order of things, regulated by stricter laws, it should be made impossible for these irregularities ever to occur. The

death-knell should also be sounded by these stricter laws and reforms of much of the "graft" that has been epidemic in political and business life. Publicity of accounts would be a protection to all solvent concerns and expose and eliminate the unsound and the fraudulent that would otherwise be a menace to them, and it should be welcomed by all who have nothing to fear from such publicity.

We are passing through a reform—yea, a revolutionary period in business affairs. But good will come out of it, for with our improved business methods will come a higher sense of responsibility and a keener perception of duty, which cannot fail to inspire correspondingly greater confidence and produce more certain results. We shall thus have more conservatism in business and fewer speculative hazards and crookedness than before.

Therefore, let the march of reform be unimpeded, for it will lead us to a higher financial and commercial eminence than even that on which we already stand, and hasten the time when this country will be the world's greatest financial and commercial centre.

It would seem that many need more conservatism and prudence in their business ventures, and they would be the better for having the lime-light of publicity thrown on them. When the sky-rockets of the business world fall they are not the only sufferers, for they injure others who are perfectly sound and conservative by creating distrust of all.

The accounting and publicity I advocate would expose, check, and prevent the irregularities and the one-man power abuses that have ended in so many collapses. The one-man control of large corporations must come to an end. An ounce of prevention is better than a pound of cure.

Corporations, too, should show that they have souls by not neglecting the welfare of their employes. They should promote their health by giving them healthy surroundings where they work, and also by making graduated provision for old age service, or pensions in case of disability, after long service. This, or giving them a share in the profits of the business, would do much to narrow the gulf between labor and capital.

The one-man power in large corporations, with a lot of dummy directors subservient to it, should also come to an end. Dummy directors are no better than so many decoy ducks that mislead the public. They are directors who do not direct, and are not expected to direct by those in control who selected them for election. They are consequently a false pretence. No man ought to accept a place as director or trustee of an institution, or corporation, particularly in a banking, railway, industrial or life insurance company, who does not fully appreciate the responsibility of the position and the care and vigilance it demands, and intend to faithfully and conscientiously perform its duties. To intentionally become a dummy director is reprehensible, and directors in dealing with the officers of their corporations should have opinions of their own and not

be afraid to express them. They are not alone responsible for their own errors or wrongful acts, but for failure to expose and put a stop to the wrongdoing of the officers or employees under their control, and they should not assume such duties when they cannot properly attend to them.

I once knew a man of very great business renown, who during the last thirty years of his life was much sought after because he possessed the qualifications necessary to make him a most satisfactory dummy or dumb director. Hence he was connected with a very large number of companies. He was a man of wealth, retired from business, and had great capacity, but it was of the avoirdupois kind. His chief qualification consisted in his always attending punctually all the meetings. He came early and stayed till the end. He watched closely to determine which way the majority vote was going and always went with it. He was never known to open his mouth, except when the luncheon was served after the directors' meeting had adjourned. He was much lamented by corporation managers when he died. He was their favorite director, on the ground, as claimed, he gave no trouble and was perfectly satisfied with the result of every meeting. When he was handed his five-dollar gold piece for attendance it caused him to go home rejoicing. I cite him as a specimen brick among dumb and dummy directors.

Directors should make it their business to learn all that is going on in the corporations and institutions that they direct, so that they may qualify themselves to act intelligently, instead of in a blindfolded way, as is too commonly the case. They should assert their rights, and direct in fact as well as in name, but of course necessarily leaving all the details to the officers. They, too, should avoid grinding axes of their own at the expense of their companies, and co-operate with both State and Federal officials in the strict observance and enforcement of the laws, and never connive or wink at their evasion.

All these influences for the better would promote public confidence in our ways of doing business, and indirectly also contribute to the stability of our monetary position. What we greatly need is a more stable money market in Wall Street. Such erratic changes in the rates for Stock Exchange loans that we sometimes see would create a convulsion in Europe if they were possible there. But as they are not possible there, why should they be here? We are destined to ultimately become the monetary centre of the world, but that cannot be till we acquire the stability of the Old World in interest rates.

A freak money market, jumping up to absurdly high rates and then down again, is as dangerous as it is intolerable. It is inimical to the proper transaction of legitimate business, and a disturbing factor that should be made as impossible in New York as it is in London, Paris, or Berlin. What we need, among other things, to prevent it is more care and conservatism in banking circles. In the European money centres the rates for money rise and fall in response to supply and demand, just as they do here, but within

narrow limits beyond which they never pass. There is no good reason why it should not be so with us.

It is to be hoped that the eminently well qualified members of the committee appointed by the New York Chamber of Commerce—consisting of Messrs. Vanderlip, Conant, Straus, Claflin, and Clarke—will reach a solution of the problem of the money market and define how far its vagaries and irregularities are owing to a want of sufficient currency, capital, or credit, or sudden and excessive demands for loans, consequent on excessive activity in speculation, or unwillingness to lend in times of distrust and panic.

In European countries monetary stability can always be relied upon; and that element of stability, which our money market now lacks, must exist here before we can command the confidence of the world as the world's financial centre. But we are now rapidly taking steps in the right direction, and the reform movement in business and legislation can come none too soon for our national welfare. Let the good work of reform go on and prosper, for from it we shall reap an abundant harvest in the future.

There was no good and sufficiently sound reason why money, on call, should have loaned in Wall Street at rates ranging from 100 to 125 per cent. per annum—as it did in December last, when in other cities all over the country it loaned no higher than six per cent. These money spasms, while local in their actual effect, exert a disturbing and demoralizing moral influence which is far-reaching. Such pernicious activity in the money market is not natural. It is due to artificial causes and ill-regulated methods affecting our local supply and demand.

For the rates of interest to be leaping wildly up and down, in the loan crowd of the Stock Exchange, and changing violently every few moments, according to the shifting bids and offers of the excited borrowers and lenders, would seem to be absurd and laughable enough for opera bouffe. But in the banking and Stock Exchange business it is a serious evil, involving large results.

Such an abnormal money market is, of course, not very often seen, but it occurs often enough to make it important for us to study its causes and seek a remedy for such monetary excesses. It is indeed a topic so serious as to call for the gravest consideration. Yet neither the stringency nor these minute to minute, or hour to hour, fluctuations were caused by any fluctuation going on in the volume of the currency or any except local influences.

What we have to guard against and prevent is these occasional spasms. Against the slow general rise and fall of interest rates for money of from, say, 2 to 6 per cent per annum and vice versa, there is nothing to be said, for the movement is a legitimate one, a natural result of the varying supply and demand. We see it in the Old World, as well as the New World, but such rocket-like soarings, and such eccentric ups and downs as

Wall Street has experienced from time to time, are peculiar to itself. It must, however, outgrow them, and the sooner it does so the better. It is not my purpose in this address to show how the end in view may be best accomplished, but that it can and will be accomplished within no long time is certain. The fault is not so much due to the want of elasticity in our currency system as to our local methods of doing business in stocks and lending and borrowing money to carry them.

The causes of general monetary stringency are always apparent, but the cause of the local scarcity of cash that sends the money rate up 5, 10, 20 or even 50 per cent in an hour or so among a small group of borrowers and lenders in the Stock Exchange, could evidently be avoided, as it is in Europe, and it is the business and duty of both borrowers and lenders here to avoid it.

One thing tending to produce occasional local stringency is that our money market has to contend with the evil effects of the New York Sub-Treasury, or rather the Sub-Treasury system, that locks money up that ought to be kept in circulation. Every Sub-Treasury acts practically as a Government bank, just as the old United States National Bank in Philadelphia did, and takes in all the money it can get, but pays out none, except on Government vouchers. So it does not perform all the functions of a bank, and we should have a more elastic currency if the Sub-Treasury system were abolished, which it doubtless will be in time. Theoretically, we have no United States National Bank, yet practically we have one in every Sub-Treasury. Until Congress amends the Sub-Treasury and National Currency laws, the banks and trust companies could by a united understanding prevent extreme money rates, by agreeing not to charge in excess of 10 per cent interest; or, what would be better still, 7 per cent, on call loans during periodical money strains. While they would lose some immediate profits, they would be abundantly compensated later on by making New York a greater, safer, and stronger financial centre, which would materially increase their business.

In Germany, emergency currency may be issued by the banks in times of stringency. This, in effect, releases them from the limit on reserves, just as, in panics, a Government order in council releases the Bank of England from the limit placed on its note issues, and allows it to issue its notes to an unlimited extent. The consequent inflation of the currency under both the German and English systems, and the revival of confidence produced by it, brings relief in the money market.

But our only way of obtaining similar relief is for the Secretary of the Treasury to order Treasury deposits to be made in National banks on the security of United States bonds, or if he is willing to accept them, first class State or city bonds. Assuming the banks to have the bonds, the Treasury may not always have the money to spare for this purpose beyond its proper working balance, and at the best it is a make-shift expedient.

That we need a more elastic currency is indisputable, and also such changes in our custom of borrowing and lending money on collaterals on the Stock Exchange as will

secure stability in rates of interest there, even in times of stringency. The time will come when the circulation of the National banks will be based on gold, instead of United States bonds, and in that way our monetary system will more closely approach that of the principal European nations. But we need not prepare to cross the bridge until we come to it.

With regard to the other matters referred to, it is always well to strike while the iron is hot, and at present the reform movement in legislation affecting life insurance and banking concerns is at white heat, not only in the State of New York, but elsewhere, and it should be pressed forward until all the results aimed at are secured.

In the first place, to accomplish this the life insurance and bank investigations already in progress, or proposed, should be carried out to the fullest extent, and, through the employment of expert and independent book-keepers and accountants, made so thorough as to leave nothing hidden or in doubt. The results in detail should then be promptly published, and in a form that all could understand, so that the public would know the plain, unvarnished truth. In this way rumors and suspicions of underhand doings, bribery and corruption, graft, fraud, deficiencies in accounts, misappropriation of funds, and concealed insolvency, would, if not confirmed, be contradicted and swept away, thus leaving the concerns before under suspicion in all the better credit and standing.

Not only should all this be done now, but the State Legislature should be equally prompt in passing the laws necessary to maintain this high standard of publicity in the future, and making it mandatory upon the banking and insurance departments to order frequent examinations into the condition of all State banks and banking and insurance concerns by expert accountants, and publish their findings. All opposition to such investigation and publicity is of itself calculated to excite suspicion, whether it comes from banks, trust companies, life insurance officers, and trustees, or other concerns, or parties in interest. Industrial and other corporations of all kinds, including railways, ought also to be made, by mandatory laws, subject to stricter supervision and periodical examination as to their financial condition. Hence the Attorney-General of this and other States should be invested with new powers to this end, and the provisions of the laws should be made mandatory upon them. They should call for verified statements of earnings, profits, expenses, capitalization, indebtedness, dividends, property valuations, liabilities and assets, so that large corporations would cease to be blind pools, and fraud and misrepresentation would be checked by being exposed; and it is exposure and publicity which is most dreaded by those who prefer crooked ways to open and above board business methods and integrity of purpose. But those who have nothing to hide have much to gain from it, and should welcome the lime-light of this new era of publicity. Secrecy is only the defence of the weak.

The recent decision of the Supreme Court of the United States in the Tobacco and Paper Trust cases, that corporations cannot take refuge in secrecy, but must give

testimony as to all their transactions, when required, even where it is self-incriminating, is a great victory of the people. It marks the beginning of a new departure in corporate management by enforcing existing laws, and requiring that publicity of accounts, which large industrial, railway, and other corporations, and most notably the large industrial trusts, have hitherto so strictly guarded against and avoided, after the blind pool fashion.

The decision is that the law as it stands, giving a witness the constitutional privilege of refusing to give testimony tending to incriminate himself, does not extend to or cover his refusal to produce books and papers that would incriminate his, or any other corporation, the immunity being wholly personal. He cannot, therefore, assert it either in behalf of a third person or a corporation, yet strange to say this clear and convincing reasoning has never been put forward by lawyers opposing the trusts. But it will make the way of the corporation transgressor harder in the future.

It opens the door and clears the way for a thorough, complete, and public examination of the affairs and accounts of the trusts. It removes the first loophole for their escape from the consequences of their unlawful acts, and from the exposure of their methods of opposing and crushing competitors. They will, therefore, become liable to prosecution under the Sherman Anti-Trust Law, and all unlawful combinations, schemes, and conspiracies will be effectually and permanently broken up.

This decision is pf such vast and far-reaching importance, not only to all directly concerned, but to the whole country, that its legal effect and its moral influence can hardly be overestimated. It will probably become as famous in the history of the Supreme Court as the Dred Scott decision; and it will prevent in future the miscarriage of justice for want of evidence against corporations, which has so frequently occurred in the past. It will also raise the moral tone of corporate management by enforcing publicity before refused, for the decision not only applies to all railway and industrial corporations, but banks, trust companies, and insurance companies of all kinds. It shows that a rigid enforcement of existing laws is alone necessary to correct many abuses of long standing.

The temptation that secret acts and secretive general management present to those disposed to wrongdoing and chicanery, malfeasance, misappropriation, and graft can easily be imagined; and it can also be as easily inferred that such management is apt to give rise to suspicions and rumors detrimental to the interest of the corporations concerned, and indirectly injurious to others. Honesty is not only the best polity, but a moral duty, and should be as much the watchword of corporations as of individuals, and no man should betray his trust for either love or money, whether acting in or out of a corporate capacity.

There is more permanent prosperity, as well as honor, to be secured by honest than dishonest means, and to quote the Bible, “What does it profit a man if he gain the whole world, and lose his own soul?” Yet unscrupulousness in high places of trust is often

forced upon public attention. This should all be swept away as a debasing element in business life, for dishonesty, like the upas tree, casts a blighting influence wherever it is.

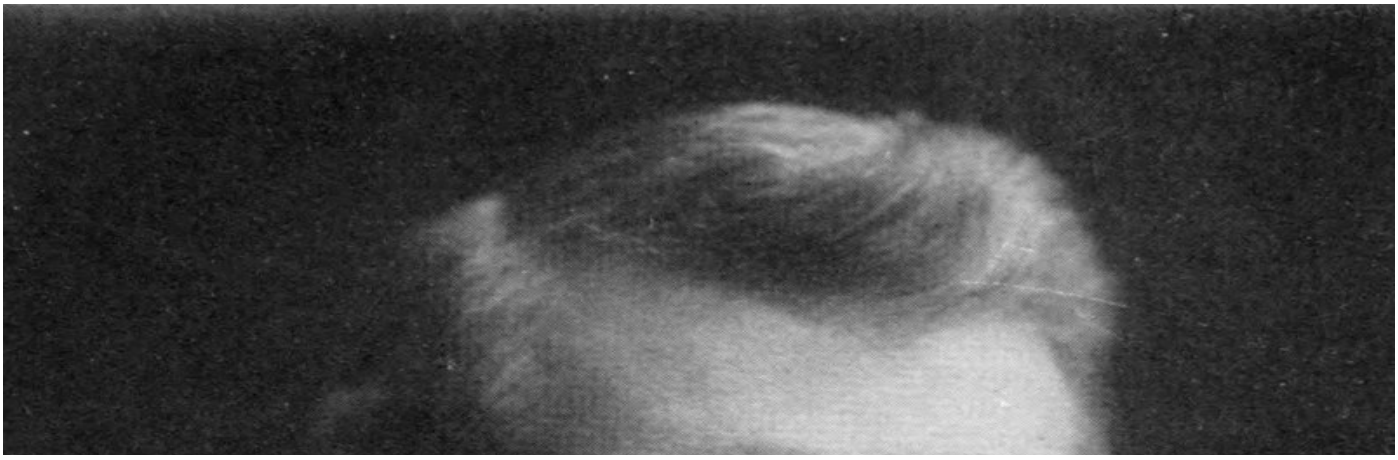
The corruption of judges and juries and the bribing of legislators should be more abhorrent than larceny itself to every captain of industry and all corporate officials, who should have equal respect for the truth and their own honor. Great wrongdoers should be no more exempt from punishment than small offenders and mere millions should furnish no protection to them.

Great fortunes accumulated by monopoly and oppression, and other dishonest means, are no credit to their possessors, but really a reproach, and the abuse of power by them is a great national evil. Every business man should take pride not only in his regard for honesty, truth, and fair dealing, but in his own personal honor, whether he is acting for a corporation or himself. We are now on the highroad to the correction of a multitude of abuses and the country is to be congratulated upon this salutary movement for improvement and reform in our business methods. Our great remedy is PUBLICITY, and the enforcement of the law.

The immensity and grandeur of our national progress and achievements justify us in looking forward to a still greater and grander development in the future and still more splendid triumphs of mind over matter than we have already accomplished. I do not say with the spread-eagle Fourth of July orator:

> "No pent up Utica controls our powers,
> But the whole boundless continent is ours."

Yet it cannot be ignored that no other nation has such a magnificent career of expansion, development, and progress before it as the United States, united as it is by telegraph and telephone and our vast network of railways, from the Atlantic to the Pacific, and Maine to Florida, in unbroken continuity.



WILLIAM H. MOORE.

With the growth of our population, which even now exceeds eighty millions, we shall grow more and more in national importance and wealth, not only in material wealth but in the higher products of an advancing civilization, in the arts and sciences and literature, and all that embellishes and glorifies mankind. Therefore we should, as we go along, constantly endeavor to correct errors, shortcomings, and abuses, and prune away rotten and unsound timbers in our public and business life, and make the whole

machinery of business and activities of all kinds—trade, banking, insurance, manufacturing, legislative, and the various professions and mechanical industries, work as legitimately, honestly, smoothly, and harmoniously as possible. The way to do this can be best paved by promoting public spirit, and sweeping away the opportunities for business wrongdoing in secret, such as rebating, by wise laws properly enforced, and backed by public opinion, yet laws not oppressive, unjust or too inquisitorial. This would compel the "crooks," "grafters," "rebaters" and "competition crushers" of the business world, who have schemed in darkness, and shunned the light, to come out into the open view, and this publicity alone would be a perfect cure for many great evils. So let us have more light—the light of PUBLICITY.

CHAPTER LXXV.

THE MONETARY SITUATION AND ITS REMEDIES.[3]

3. An address to the West Virginia Banking Association at their 13th Anniversary Meeting, at Elkins, West Virginia, June 19, 1906, by Henry Clews.

The rapid growth of our population, the great activity of all our industries, the general prosperity of the country, apart from the terrible calamity at San Francisco, and the immense speculation going on in land and mining ventures, especially in the West, are the underlying causes of the severe monetary stringency that New York has lately experienced. These influences have kept money to a much larger extent than usual active in the interior and prevented its concentration not only in New York and the other Eastern monetary centres, but at the Western centres.

Chicago in particular found that money, instead of returning there from the interior in good volume, as it usually does in January, February, and March, continued this year to be sent to the interior by the banks there at an average rate of $12,000,000 a month during these three months. This movement was not so much owing to the land and mining boom as to the immense absorption of money in the various manufacturing, mercantile, and other expanding business interests all over the West and South. So great was, and still is, the activity in these directions that speculation in grain, provisions, and stocks has been more neglected in the West than for several years, as the narrowness of the markets there has shown.

To show more precisely the effect on the money markets of this unusually great speculative and industrial activity it is only necessary to say that, during this first quarter of the year 1906, the Chicago banks steadily and heavily lost in deposits, while their loans kept increasing. A comparison of the condition of the national banks in that city on April 6th, as reported to the Comptroller of the Currency, with their condition at the date of their previous report on January 29th, showed an increase in their loans of $8,625,237 (or 4.11 per cent) and a decrease in their deposits of $6,773,490 (or 2.11

per cent) and a decrease in cash resources of $14,628,960, or 10.38 per cent. These figures explain why money was so scarce in New York. The West had none to send us, although there is more money in circulation than ever before. If we go back to the condition of the same Chicago banks on March 14th, 1905, and compare it with their report referred to, we still find that their deposits decreased $8,687,117 and their cash resources $7,970,318, while their loans increased $1,599,774; and in their reduced cash resources the Chicago banks reflected the condition of the banks in all the other large cities of the West, Northwest, and Southwest. There has been a rapidly rising volume of trade and land and mining speculation there for more than a year, and enormous activity in new industrial enterprises. In the Southwest, particularly, the growth of banking has been not only unprecedented but enormous. I include in this designation the States of Missouri, Arkansas, Louisiana, Texas, and Kansas and the Territories of Oklahoma, Indian, New Mexico, and Arizona. The last decade has witnessed in this section of our country more extensive and rapid material development than was ever before seen anywhere, either in the United States or elsewhere, and this expansion in banking was in response to that material development, and therefore had a legitimate foundation in business requirements. American spirit and enterprise, and Western push, overcame all obstacles in spreading civilization and creating trade, especially in the new settlements.

In the five years ending with 1900, 101 new national and other banking institutions were established in these nine States and Territories—with a consequent increase of $94,500,000 in individual deposits and $150,300,000 in aggregate resources, and in the next five years ending with 1905 no fewer than 1,415 new banks and banking institutions were added to the number—a resulting increase of $73,400,000 in capital and surplus, $383,750,000 in individual deposits and $670,350,000 in aggregate resources. Thus, in ten years, there was an increase of 1,516 in the number of banks, of $137,000,000 in capital and surplus, of which $79,000,000 was surplus, of $478,000,000 in individual deposits, and of $820,750,000 in aggregate resources.

This enormous banking development reflected and stimulated the enormous development of the country, and aided trade fully as much as trade helped the banks. The one kept pace with the other, and marvelous progress in both was the result; and this progress continues, and will continue indefinitely long under the stimulus of the rapidly increasing population of that still sparsely settled section.

This banking development is of incalculable benefit, both locally and generally, for its influence is far-reaching. The drain of money from the outlying districts, including New York, to move the crops, is reduced as banking facilities in the West and South increase.

In the South, during the same period, there has also been very great commercial and banking development, with the banks and trade going hand in hand to help each other, as

in the Southwest. The South was never before so active and prosperous; and, rapidly as it is progressing, it will go on prospering with unabated vigor and enterprise, for it has entered upon a new era of prosperity and immense development of its material resources awaits it. In manufacturing and mining, as well as agriculture, immense opportunities are open to it; and before long the natural increase of its population will be largely added to by the white immigration that it needs. So the South has a bright and magnificent future.

This vast industrial and mercantile activity—this general business enterprise, this land and mining speculation, or boom, has extended, in various degrees, all over the United States, and the influence it has had on the money market in large cities, and particularly in New York, was only a natural and easily foreseen result. It has produced a corresponding activity in money, because of the greater demand for its use; and the real estate speculation, the vastest we have to deal with, is still increasing.

The boom is almost entirely in land and mostly in vacant plots, or lots, suitable for building purposes; but there is also a very active speculation in improved property, and much speculative building. The amount of money practically locked up in this land speculation is much larger than is generally supposed.

Statistics of 29 of the largest cities of the United States show that in the month of May they issued permits for the construction of 13,712 new buildings, to cost $55,074,761, against only 12,036 in May, 1905, to cost $50,791,738, an increase of 8 per cent, and a similar increase was shown in each preceding month of 1906. The May increase was greatest in cities remote from the Atlantic Coast; in Portland, Oregon, it was 309 per cent; in Tacoma, 111 per cent; in Seattle, 30 per cent. But the San Francisco catastrophe was evidently the main cause of the large increase in Portland and Tacoma. Yet the increase in Omaha was 75 per cent, in St. Paul 49 per cent, in Duluth 110 per cent, in Louisville 50 per cent, in New Orleans 47 per cent, and in Chicago 39 per cent. These figures, dry as they may seem, are eloquent in their suggestiveness of the extent of the demand for money from this one source, the land and building boom.

Gold and silver mining speculation, too, last year began to assume the dimensions of a boom in Nevada, and all the old metal and mineral mining camps, and many new ones in other States, are, like the Lake Michigan copper regions, scenes of active speculation in properties, as well as busy with mining, and hosts of speculators are their own bankers, carrying large amounts of currency in their pockets.

The money that usually returns to the money centers is thus widely scattered and too busily employed to return. So we have to deal with a period of prosperity and industrial activity that is something more than normal. But—without referring to the heavy drain of cash for the relief of San Francisco, which was offset by gold imports—although money was scarce in New York, owing to this enormous activity and general prosperity that kept it moving from hand to hand, it was not scarce enough to justify the excessively

high rates we often witness on the Stock Exchange. These were serious and hurtful, and to guard against such vicissitudes in our money market every member of the Stock Exchange and every banker and bank officer should use his influence.

How far the Chamber of Commerce Committee on the Reform of the Currency will succeed in providing remedies for the monetary situation remains to be seen. But from the twenty-seven questions it has sent to bankers and others it is apparent that it contemplates no fundamental change in our currency system. Inferentially, it will not interfere with United States legal tender notes, nor with United States bonds as a basis for the circulation of the national banks. Yet both bases are indefensible on sound economic principles. The issue of greenbacks was merely a war measure, and intended to serve only a temporary purpose; instead of which we have made it permanent, so keeping the Government in the banking business with its war currency system.

There can be no question as to the false bottom on which the national bank currency rests; for paper, that is, paper money, should not be secured by, or redeemed in paper, even when that paper is as indisputably good as United States bonds. All our paper money ought to be based on readily convertible assets and redeemable in gold. Bonds, even United States bonds, by which national bank notes are now secured, are only evidences of debt, and the time will come when these will be liquidated, and the sooner the better.

The committee probably thinks that the existing order of things, notwithstanding its fundamental errors, is too deeply rooted and strongly fortified to be materially changed without danger of the remedy proving worse than the disease. It consequently favors more national bank currency on the present basis. Branch banks and rediscounting for small banks by large banks are also favored. The committee's questions indicate, however, that it favors the abolition of the Sub-Treasury system, and to that result it should resolutely bend its energies. At present the Sub-Treasuries are practically banks, like the old United States Bank at Philadelphia, with the important difference against them that all the money they take in remains locked up in their vaults till paid out on Treasury drafts. The evil effect on the money market, and particularly on Wall Street, of thus withholding money from circulation in periods of stringency has been too often felt. It was more than usually conspicuous and severe during the late tight money ordeal, owing to the Treasury receipts very largely exceeding its disbursements. This greatly aggravated the scarcity of money in New York, due to other causes, and resulted, in Wall Street, in the rates for call loans ranging at times, within the last six months, with rapid and eccentric fluctuations, from 15 to 30 per cent, and on one occasion touching 125 per cent. We have here a phenomenon entirely distinct from ordinary monetary conditions.

These extremely high and highly fluctuating rates are, it is true, peculiar to the New York Stock Exchange, but they are none the less a great evil, and they acquire national

and even international importance from the fact that New York is the financial center of the country and the New York Stock Exchange the barometer of financial values for the whole United States.

However much our commanding position may in other respects fit New York to be the world's financial center, it cannot aspire to and secure that position of power so long as it is the scene of these violent fluctuations in the rates of interest for call loans on the Stock Exchange. Measures should therefore be taken not only to prevent them, but to make their recurrence impossible; and how this can be best and most efficiently accomplished is a matter for very serious consideration.

That it can be accomplished is evident from the entire absence of any such violent rate oscillations in the money markets of Europe. There the rates of interest fluctuate slowly within a reasonably narrow range, generally between 3 and 5 per cent, the extremes being 1 or 2 above, or below, these figures. Such unreasonable eruptions in the money market as we have sometimes seen in the loan crowd of the New York Stock Exchange were never seen, and would be impossible, in London, Paris, Berlin, or any other European capital. Why, then, should they ever occur, or be possible here?

In response to questions propounded by the Chamber of Commerce Committee I would say that, as the Sub-Treasury system is a disturbing factor in the money market, provision should be made by Congress for the regular deposit in national banks of surplus Government money above its regular working balance of fifty millions, the banks to pay interest at 2 per cent per annum thereon.

Bank notes, in my opinion, are a form of bank obligation the same in principle as bank deposits, payable on demand, and these notes, as the most convenient form of credit, should be released as much as possible from restrictions not necessary to secure their safety, acceptability, and redemption in gold, or United States legal tender notes, for so long as the latter may be kept outstanding.

In seeking increased flexibility for our currency I would not suggest anything that would impair the value of United States bonds as a basis of circulation; but it deserves consideration whether new currency might not be issued by moderately increasing, above the par of the bonds but not above their average market value, the amount of notes to be secured by them. Then, too, why should not national banks be authorized to issue a fixed proportion of circulating notes upon their general resources, these to be secured by a guaranty fund? To induce the retirement of these notes when not needed, owing to money being superabundant at low rates, this asset circulation could be made liable to a graduated tax. The proportion of notes to capital that should be allowed, and the amount of the tax, are matters upon which bankers differ, but I favor strict moderation in both. This asset currency, under moderate restrictions, for use under ordinary conditions, would be far preferable to any emergency circulation, ISSUED UNDER A HIGH TAX, although Secretary Shaw recommended it in his report for 1905.

As the taxes collected upon the circulation of national banks from 1864 to the end of June, 1905, amounted to $96,220,997, and the failed banks, during that period, had outstanding only $17,295,748 of notes, and the dividends paid on their claims averaged 77.95 per cent, it follows, at the same ratable proportion of loss, that the deficiency on account of their notes would have been only $3,813,712, or 22.05 per cent of their total circulation. So in the light of this experience I see no great risk in a guaranty fund, consisting of the taxes paid upon circulation, nor do I see why it would not be sufficient to redeem all the notes of failed banks.

I would make the asset currency a first lien upon the assets of the issuing banks, and allow the banks to redeem their notes at appointed redemption places in the large cities. This would save the trouble and delay of sending them to Washington, and by facilitating redemptions when money was easy, give more ebb and flow to the currency and tend to prevent excessive speculation in times when there is a glut of money. Under the Canadian banking system there are several central redemption cities for bank notes; but I would not, as is the case in Canada, limit the right to issue notes to banks of not less capital than $500,000. There is safety in numbers, in regard to banks as well as other matters. Then, too, it would be well to make all the Sub-Treasuries in the country useful as national bank note redemption points, because it would contribute to the elasticity of the currency in the same way that it does in Canada, and doubtless Congress would favor such a measure.

The proposition to establish a new bank in Wall Street with $50,000,000, or even more, capital, or to increase the capital of an existing bank to that extent, to serve the purposes of Stock Exchange borrowers, and regulate rates of interest, after the manner of the Bank of England, is deserving of no consideration whatever. It would merely excite and provoke the jealousy and opposition of other banking institutions, and create a sort of monopoly with special privileges, without securing the end in view. A Bank of Banks is not what we want, nor do we want a revival of the old United States Bank.

Such a bank as the Bank of England, or the Bank of France, could not be created here, either in a day or a generation, for those time-honored institutions are the growth of ages. They are very much older than any of the other banks there; and, under the control of their respective governments, they have grown up with their countries and become practically, although not by ownership, government institutions. Hence their prestige and power, and the impossibility of other banks superseding them.

It may, however, deserve consideration whether the New York Clearing House might not exert power in regulating rates of interest similar to that exercised by the Bank of England, providing the banks belonging to it would unite to give it that power; and is there any reason why they should not? Even without any formal or concentrated action in this direction, outside of the Clearing House Committee, it could appoint a committee to name every week, or oftener when necessary, as the Bank of England does, a

minimum rate of interest on call loans and discounts. It could also fix a maximum rate for each. This need not be compulsory; but even only as a recommendation it would have a powerful moral effect, and the Wall Street banks, if they approved of the innovation, would conform to it. The Clearing House could, indeed, after the formal approval of this regulation by its members, enforce its observance under penalties, if deemed necessary. In this alone, in my opinion, a practical remedy would be found for the high rate evil on the Stock Exchange.

But, at the same time, greater elasticity could be given to our national bank currency if Congress would amend the law so as to permit of currency being issued against specified bank assets, subject to the approval of the Comptroller of the Currency. This is a feature of the banking system of other countries, which has always worked very well and to the satisfaction of all interests; and what our currency urgently needs is greater elasticity.

Strictly speaking, according to economic principles, we cannot expect a perfect currency, with all the resiliency and elasticity possible in a currency, so long as bonds instead of gold are used as the basis of our bank circulation. Yet for security the bonds are, under present conditions, just as good as gold; and there would be more elasticity in the bank circulation based upon them if the restrictions imposed upon their redemption by the Act of 1882, which are now unnecessary, were removed. Indeed, the inability to promptly retire bank notes is one of the worst faults of our system, and Congress should repeal the restrictions without delay. If this obstacle in the way of resiliency were removed, and the unlimited retirement of bank notes permitted, we may rest assured that free expansion, when demanded, would quickly follow curtailment, and this ebb and flow of the currency would obviously be an elastic movement.

As it is, there is a great waste of banking power in our treatment of national bank notes and reserves. We have $544,765,959 of national bank notes, and only $337,130,321 of United States legal tender notes, and, setting gold aside, the redemption of the former in the latter is obviously absurd and inconsistent with sound finance and good banking. We see in the present system this $544,765,959 of banking capital absorbed and represented by non-reserve currency. The capital is perfectly safe, but it is locked out of any other use, and rendered inefficient for any other purpose. This calls for a remedy. The percentage of reserves to loans in national banks has decreased from more than 20 per cent in 1898 to less than 15 per cent. Hence the bank reserves require to be increased.

The law relating to the redemption of national bank notes in United States notes, or greenbacks, was passed when the greenbacks very largely exceeded the bank notes in amount, but the reversal of these conditions reminds us that the tail is now wagging the dog. This alone makes it clear that the law should be amended.

But beyond all this we should open our money market more to the rest of the world by establishing a new factor, which would always afford prompt relief in times of stringency, by giving us cable transfers of gold, instead of gold shipments, and of itself prevent abnormally high rates. Through this medium we could, instantly, practically draw gold from Europe whenever wanted, and Europe could do the same from us, when needed there. I refer to the establishment of an International Gold Transfer System, or Clearing House, to supersede and dispense with what I may call the old-fashioned gold see-saw. Gold in circulation is doing good work, but gold see-sawing across the ocean is going to waste. The custom of shipping gold from one country to another, in response to the ups and downs of the market rates for foreign exchange, not only reminds me of the forward-and-back movement in a quadrille, but suggests that, as the precious metal is rendered practically useless while in transit, it should not be used in a dance of that kind across the ocean. The subject may not seem to be very important, but it really is so, for "tall oaks from little acorns grow"; and it is surprising that in the march of modern improvement this method of settling international balances has not been superseded by a shorter, quicker, and cheaper cut to transatlantic adjustments. Bankers, in both hemispheres, are absurdly behind this progressive and electric age, in transporting gold from the New World to the Old, and vice versa, to adjust balances between them, whenever the rates of exchange show a profit in the transaction. That they could profitably dispense with it is obvious, as they could easily establish this transfer system, this international clearing house for gold, at very small expense. Thus the risk, and loss of time, involved in the old-fashioned method would be eliminated, while the new arrangement, being under their own control, would beyond peradventure serve every necessary purpose of the shippers, combined with perfect safety.

The disadvantage of shipping boxes or kegs of gold to and fro between America and Europe is apparent when we consider that it is a time-wasting see-saw performance, which involves the expense of packing, cartage, freightage, insurance, and loss of interest while in transit, and still greater loss due to abrasion consequent on sea transportation, to say nothing of bankers' commissions, and risk of partial or entire loss by robbery, accident, or marine disaster; ignoring, moreover, the restraints it imposes upon our foreign trade.

All these disadvantages could be obviated and this handicap upon our commerce removed by a mutual-interest arrangement, between the leading banks in the United States and Europe, to deposit a sufficiently large amount of gold on each side of the Atlantic, and issue international clearing-house certificates and draw bills of exchange against the deposits. This gold could be counted as part of their reserve, if in their own vaults; or the Bank of England, in London, and the United States Sub-Treasury in Wall Street, could be used as the gold depositaries. We have a clearing house for bank checks in each of the large cities, and one also for the transactions of the New York Stock Exchange. London, too, has its bank clearing house. Why, then, should the clearing

house system not be extended to international transfers of gold, so as to make them possible at any moment by cable-telegraph instead of the slow process of six-days transfers? In this way our international dealings would be quickened and extended and our financial and commercial relations become more intimate.

There is no good reason why we should unnecessarily treat gold as we do, when we can save time, money, and risk by keeping the metal where it is, and issuing certificates of deposit against it, and the use and transfer of which would serve as well as gold shipments.

The present custom becomes a ridiculous "chasse" across the Atlantic, when we see the same gold shipped to Europe, then shipped back to America within a few days after reaching its destination, without being unpacked, owing to sudden intervening changes in the rates of exchange, making it profitable for the former gold exporting country to import the metal. Such wasteful shilly-shally procedure would be likely to excite mirth in opera bouffe, but bankers who ship gold are very serious about it, and seem to be without enough perception of the ludicrous to see anything funny in its coming and going, although they feel the shoe pinch in its costliness in both time and money. As the world's gold production increases the urgent need of this over-sea change will become more and more conspicuous, and its adoption will accord with the generally progressive spirit and methods of our telegraphic and telephonic age.

Had such an international gold clearing house existed the sagacious but unprecedented action of the Secretary of the Treasury, to relieve the money market by making deposits, as secured loans, in certain banks, to encourage and cover their prospective gold importations from Europe, the same to be returned on the arrival of the gold, would have been unnecessary. While this expedient has well served a temporary purpose, it is not to be relied upon as a permanent source of relief during monetary stress, and it involves a stretch of authority under the law that is open to grave objection. But, as it happened, the Secretary's action, which was taken just before the San Francisco disaster occurred, proved particularly fortunate, and probably prevented a very serious aggravation of the stringency in the money market, owing to the heavy remittances to California. It was a piece of good luck that seemed almost providential, and the end justified the means. But it should always be regarded as only a fortuitous circumstance and temporary expedient, not as a permanent source of relief; and it emphasizes our need of a new international gold transfer system. Moreover, the benefit Europe would derive from it would be equal to our own.

The Secretary, under the circumstances, acted wisely in also increasing the Treasury deposits in the national banks, while the Government's receipts were largely in excess of its disbursements, so as to offset, as far as possible, this preponderance of receipts, and lessen the drain of money into the Sub-Treasuries. But this method of relief is, too, only a temporary expedient, to remedy the evils of the Sub-Treasury system. While the

Sub-Treasury system lasts Congress should authorize the Secretary to deposit customs, as well as internal revenue receipts, in the national bank depositaries, in time of stringency, when the Government's receipts exceed its disbursements, and it has more than a sufficient working balance. The Government should, as a compensation to it, require the banks to pay interest at, say, two and one-half or three per cent per annum on such deposits, these not to exceed, in amount, 25 per cent of their paid-up and unimpaired capital, and to be returnable on demand, but without requiring these special deposits to be secured. They should, however, be made a first lien upon the assets of the banks.

If the changes above suggested were made, I am sanguine that they would prove to be remedies for the evils and disadvantages under which we now labor, and so increase the stability of our money market and improve and fortify the machinery of the whole monetary system, while giving more elasticity to the currency.

CHAPTER LXXVI.

INDIVIDUALISM VERSUS SOCIALISM.[4]

4. An address delivered by Henry Clews on Sunday afternoon, May 12, 1907, at the Columbia Theatre, Brooklyn, in debate with Professor Kirkpatrick, graduate of Albion College, Michigan, and former professor in the University of Chicago.

In order that I may present a clear understanding of my view of the subject, it is only fair, in the first place, to state that the system of Individualism which I shall endeavor to uphold is worthy and commendable. I hold it to be superior in every sense to any of the various plans of Socialism offered by its advocates. By this I do not mean Individualism in the extreme sense of the term, for, as we all know, in no civilized country and under no form of government whatsoever does, or can, extreme Individualism exist.

In the world of economics and politics Individualism has a distinct meaning, as a name given to the theory of government which favors the non-interference of the State in the affairs of individuals. It has also been well defined, as the private ownership of the means of production and distribution, where competition is possible; leaving to public ownership those means of production and distribution in which competition is practically impossible.

It will, then, be at once apparent that, in the consideration of the forces helpful and necessary to society, the individualist believes that competition which encourages merit and develops skill should remain paramount. And right here the issue is made, between Individualism and Socialism, the Socialist denying that competition is beneficial to society, but contending rather that it is a deleterious and harmful force.

Upon this issue, so joined, I stand firmly in favor of the principle of competition, and that system of Individualism which guards, protects and encourages competition. It is that system of government under which we live to-day—a government of the people, by the people and for the people—the United States of America—a free system of government, in the best and broadest sense of the term.

Under this free system of government, whereby individuals are free to get a living or to pursue wealth as each chooses, the usual result is competition. Obviously, then,

competition really means industrial freedom. Thus, any one may choose his own trade or profession, or, if he does not like it, he may change. He is free to work hard or not; he may make his own bargains and set his price upon his labor or his products. He is free to acquire property to any extent, or to part with it. By dint of greater effort or superior skill, or by intelligence, if he can make better wages, he is free to live better, just as his neighbor is free to follow his example and to learn to excel him in turn. If any one has a genius for making and managing money, he is free to exercise his genius, just as another is free to handle his tools.

In this primary outline of the free system of Individualism, it is well also to consider the good side of freedom or Individualism. It is an axiom, well established, that the freer men are to choose their work and to use and enjoy its results, the more work they are willing to do. Their energy and enterprise are called out, their wits sharpened, their hopes stirred. If any one wins unusual success, others are encouraged to try better methods. If an individual enjoys his money, gained by energy and successful effort, his neighbors are urged to work the harder, that they and their children may have the same enjoyment.

Thus, every one accomplishes more in a condition of freedom or Individualism, and the whole nation is richer, than if custom or a Socialistic community fettered and restricted men, and compelled them to work according to rule. With matured individuals, this is on the same principle that children enjoy their sports better, when left to themselves, than if a parent or teacher were to meddle and make rules for them.

I believe that it can be stated, as an established fact, that whenever men are, as individuals, free to work, to earn and to save and use their earnings as they deem fit, the capable, the industrious, the temperate and the intelligent everywhere tend to rise to prosperity. The skilful are always in demand and at good wages. And remember, that a day's wages never purchased so much in supplies as it does in the United States, where we use the individual or competitive system of work, because high as prices are, wages are still higher.

As a further part of this summary of Individualism and competition, let us also add the moral side, for it is a considerable and important item. When men labor, earn or save with perfect freedom, they develop many moral qualities, such as patience, self-reliance, self-sacrifice, venturesomeness, integrity, generosity and respect for others' rights.

If a Socialistic committee of the wisest men could manage and make rules for the rest, and provide for every one's necessities, men would not acquire or exhibit these sterling qualities of manhood, as well as they would by being thrown upon their own resources.

We know this, also, from the fact that the strongest characters have been worked out in brave and patient competition and conflict, often under difficult circumstances;

whereas the men who have never been thrown upon their own resources rarely amount to anything.

After this preliminary description of the worth and salient influence of Individualism, under which our country has grown to be the greatest nation of the world, let us now turn to Socialism—a system which, if adopted, would call a halt to our progress, tear down our established institutions, and turn our great prosperity into ruin and decay.

It is difficult to tell just what is meant by Socialism in the more modern sense of the term.

It has appeared in the United States under five different and almost totally disconnected forms. It has appeared as a movement towards the establishment of Socialistic communities or communisms; it has appeared as Fourierism, as German or International Socialism, as Nihilism and Christian Socialism.

Professor Mallock, the eminent English writer, in his lectures in New York, made a careful analysis of Socialism, and exposed its plausible sophistries, some of which, Socialists boast, are grounded on our defined principles of political economy, which the learned writer asserts are rather incomplete. It may be admitted that this is so, and that fuller and clearer distinctions could well be added to our text books on the subject. But, joining the issue in a clean-cut way, between Individualism and Socialism, obviates all necessity at this time of further considering such distinctions, and clarifies our respective positions in this debate.

It was noticeable that, during the delivery of these lectures, hints and remonstrances were freely thrown out that the structure that Dr. Mallock was attacking was not Socialism at all, in the modern acceptation of the term, but something else that had long ago been abandoned.

Now, while I have no unfriendliness whatever with the honest Socialist (mistaken, deluded and sadly out of place in this grand Republic, as he may be), I do say, that this position is but too often the wily subterfuge, sought to be taken advantage of by the insincere agitator or pretended reformer, when he sees that he is beaten. His invariable answer to an irrefutable argument is: “Oh, that which you talked about is not modern Socialism!”

For the purpose of this discussion, however, we can agree that, as contradistinguished from Individualism, Socialism opposes and denounces competition as an injurious and unnecessary force in society, and advocates the collective ownership, through the State, of all the means of production and distribution.

Socialists would, in other words, fence up the great field of free opportunity, deaden all incentive or inspiration for great achievement, and not only curtail, but wholly

remove, the right to compete and excel, and make it impossible to write "success" as the result of individual effort.

Just think of that! Why, the very thing that the Socialists attack, as untenable and wrong in government—individual competition—has done more than anything else to make us what we are as a nation to-day; has kept alive the precious fires of liberty and freedom and has preserved the institutions of our country. Take away the spirit of Individualism from the people, and you at once eliminate the American Spirit—the love of freedom—of free industry—free and unfettered opportunity—you take away freedom itself!

And right here, I take the position and shall ever contend, that the United States (of all countries in the world) is no place for Socialism. Let us never forget that it was founded by the wisdom and patriotism of the Fathers of the Revolution, and that it is blessed with a Constitution, framed by men who loved individual freedom and national liberty, and who risked their lives and sacrificed their property in the struggle to overthrow injustice and oppression and achieve independence and individual equality. Let us not forget its past one hundred and thirty years of eventful history, replete as they are with many chapters of severe trial, over all of which it has ever risen superior. This splendid history has placed our system of government beyond the line of experiment, and raised it to such an elevation of recognition and respect, that it now ranks as the highest among all the nations of the earth.

Born of the spirit of resistance to oppression, with the broadest and freest constitution that the world has ever known—a land of freedom and equality in the best and most liberal sense of the term—it would seem that the sincere lover of liberty and equality could ask no better home than this democracy of ours—whose glorious flag floats over eighty-four millions of prosperous and enlightened people.

To further add, the term "contented people" might, perhaps, not be a strictly true assertion, and neither would it, in my opinion, be a desirable one to use; for to the spirit of discontent and ambition, so predominant in the American character, are due largely the grand achievements and the remarkable progress and advancement of our nation in all things that make for greatness, strength, and public welfare. However, we must be careful to draw a plain line of contradistinction between that discontent which is really the mainspring of human activity, and which, appreciating the solidity and soundness of our foundation, aspires to build thereon to the highest ideals of perfection and success—and that misguided or malicious discontent of Socialism which arrays itself as an enemy of all civilized forms of government and seeks their utter destruction.

We can well understand and appreciate, in a country ruled by a despot, whose heel of oppression and tyranny is ever on the necks of the down-trodden people, the feeling of the masses who, desiring some measure of free action and equality, would revolt against such conditions, and seek a reorganization of society. They would, naturally, look as far

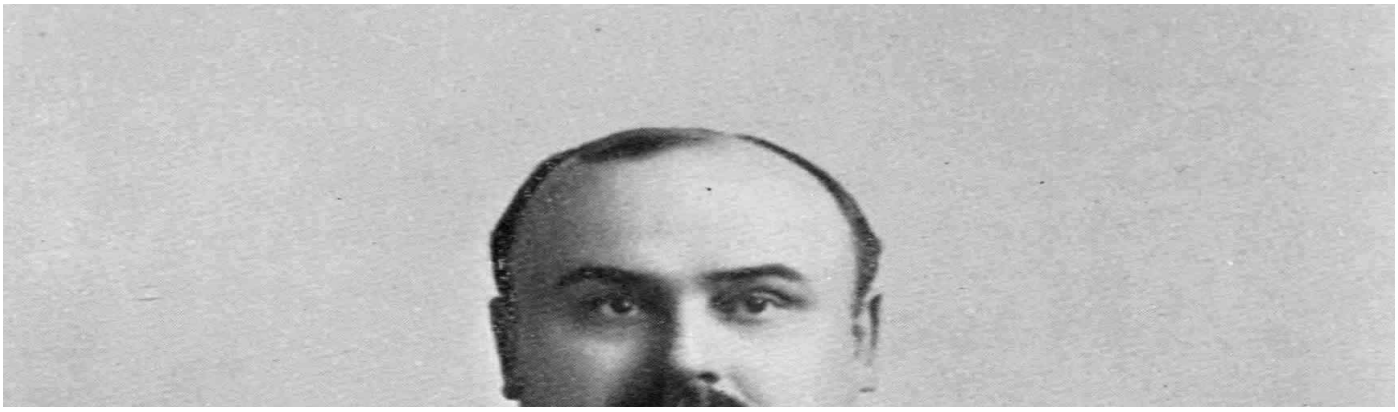
away as they could from such a government of despotism—the only one they had ever known—to the other extreme—a country where the State should own all the land and capital, employ all the people, and divide everything, share and share alike, among the community.

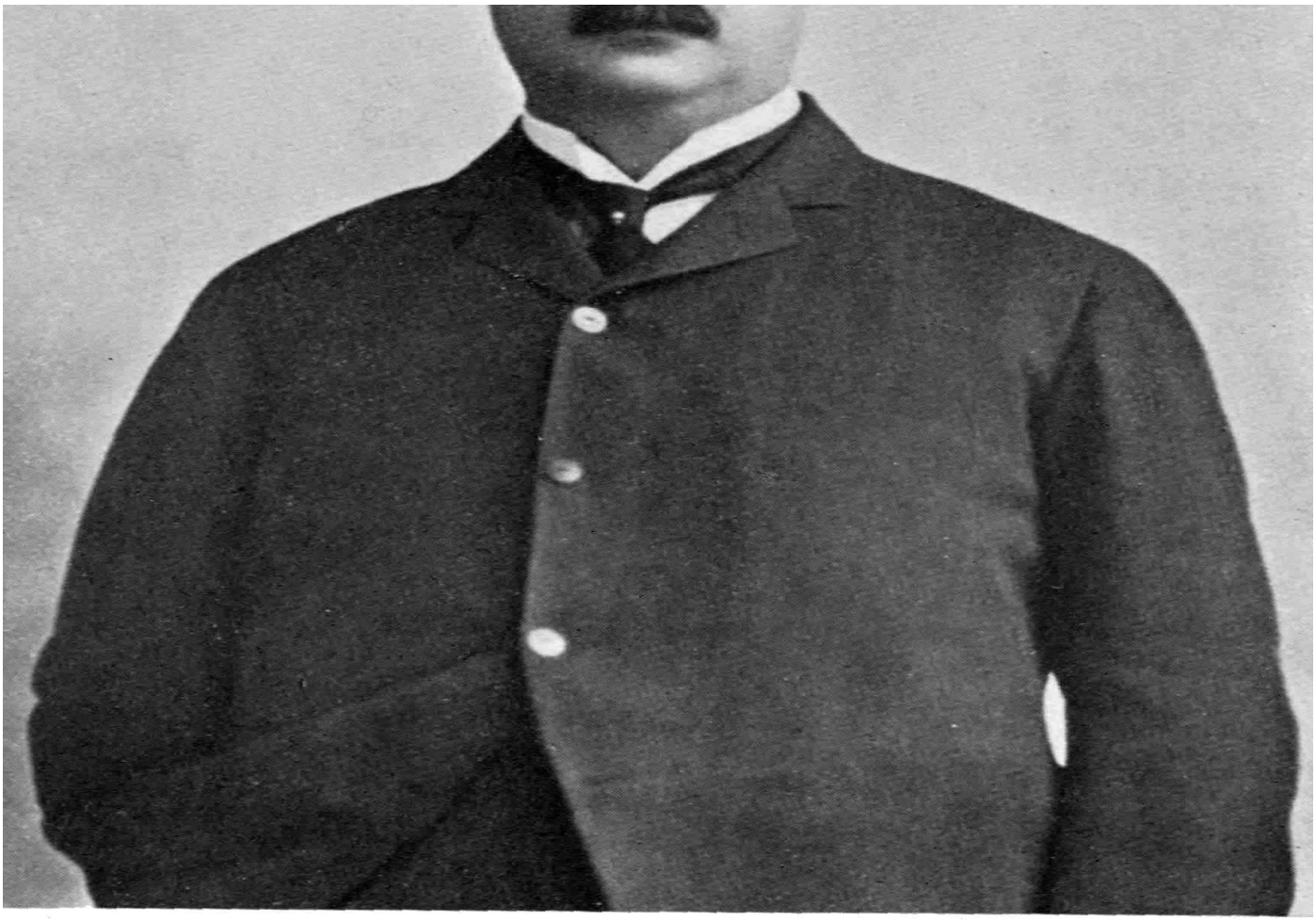
But the spirit of revolt, which in that case may be patriotism, becomes ridiculous and open to the charge of insincerity when the tenets of its doctrine are transplanted and cultivated upon American soil by our foreign population.

With further reason, also, must we question the sincerity of the Socialist, who, leaving oppression behind, emigrates to this country, where tyranny and despotism are unknown, and yet who continues to echo that war cry of destruction wrung from his heart by the cruelty of his old-time oppressors.

He comes here from a land of want and thraldom to a land of plenty and freedom. He may come without name, fame, or property, and he is received with open arms. After a brief residence he is entitled to full citizenship, and is then a part of the government, enjoying all the rights and privileges of the native born. Besides the active or public equality—the equality possessed by all, the right to share in the government, such as the electoral franchise and eligibility to public office—he has the rights of private equality. He is possessed of legal equality—the equal possession of private civil rights enjoyed by all citizens. Then there is the equality of material conditions—that is, the right to acquire wealth and all that wealth implies.

Every opportunity to achieve success and happiness abounds on every hand, and every incentive to industry and accomplishment awaits him; and if he is energetic and skilful, there is nothing to hinder him from becoming prosperous, or, in other words, successful in whatever vocation in life he may pursue. With qualities that commend themselves to his fellow men, there is no limit to the possibilities of his achievements, and very soon (as has been very often the case) he may become a leader of men. If, therefore, he is sincere, surely he must agree with me that, in view of these conditions, this is no place for the Socialist. And does it not sound like a paradox to hear this cry of Socialism still rending the air—while every avenue of fortune lies open to every one?





D G Reid

Socialism is self-contradictory, and opposed to deep-rooted and ineradicable human instincts. Its origin is, of course, purely selfish; but there are two kinds of selfishness—the enlightened and unenlightened. Unfortunately, Socialism belongs chiefly to the latter. It is often overlooked that the identical love of gain which seeks to equalize the distribution of wealth will not be satisfied with equality. A desire for gain will still

remain and seek to acquire. The most commendable object in Socialism is the uplifting of the down-trodden and poor. Yet that great commoner and tribune of the people, William Jennings Bryan, tells us that under Individualism we have seen a constant increase in altruism. That the fact that the individual can select the object of his benevolence and devote his means to the causes that appeal to him has given an additional stimulus to his endeavors. And Mr. Bryan pointedly asks the question: "Would this stimulus be as great under Socialism?" Let it not be forgotten that by means of present tendencies and existing economic laws the poor are constantly growing richer. They were never so prosperous as to-day. Labor has made great strides, and the uplift in the lower walks of life in all Christendom during the past twenty years has been beyond precedent. Give us wise and just legislation, and complaints about the inequitable distribution of wealth will quickly disappear.

The state of society that the Socialists seek to establish may be beneficial to a class which, under any conditions, lacks frugality, thrift, and self-reliance; but just where the general mass of humanity is to be bettered or elevated, socially, morally, or politically, is a point not satisfactorily explained. A society in which all human beings do right, for the simple reason that it is right, cannot exist unless human nature is recast and reconstructed. Human nature must be treated as it is found in the general makeup of man, and, therefore, a society in which all special desires, all ambition, and all self-esteem have been eliminated, precludes development and progress. It reduces everything to utter shiftlessness and stagnation. In such a Society there can be no incentive to great achievements in art, literature, mechanics, and invention. If all are to be placed on an equal footing, the ignorant with the educated, the dullard with the genius, and the profligate with the provident, what encouragement is there for special effort?

If you render accessible to each and every member of the human family the achievements and benefits of civilization, holding "property in common," why should a man rack his brain or strain his muscles in producing something which he expects to prove remunerative to himself in some way, but which, under the Socialistic state, would go to the equal financial benefit of all?

Just for a moment, stop to think of the effect of bringing all men as near to a dead level as possible, for I recognize that not even Socialism would secure the equality which it seeks. If one physician is more skilful than another, who could insist that he receive no better reward than the less skilful, when many would be willing to offer it? Or how else could he avoid having all the patients in the community upon his hands except by charging more for his services than an inferior physician? If one lawyer shows greater ability than another, is he not entitled to a larger fee for his talent? And how else is he to protect himself from taking all the business from the lawyer of less ability? Again, if the skill of the cabinet maker is higher and rarer and worth more than that of the carpenter, how can the latter expect the same compensation as the former? To

put both on the same plane would be unjust, and would lead to one being compelled to work beyond his strength, while the less skilful would probably be insufficiently occupied. Socialism, you thus see, would often place a premium upon laziness and inefficiency.

Socialism would benefit the shiftless and lazy at the expense of the thrifty and industrious. Is that a good system to advocate and follow? Which of you would be willing to share your hard-won provision for your own family with another family, the head of which you knew to be lazy, incapable, and dissipated? What incentive to struggle would remain if the results of that struggle were to be taken away from you and given to others who sat idly by? What would be the effect upon the United States of throttling the ambition to achieve? Take the necessity of struggle out of life, and we should quickly weaken human nature. Civilization would decline and national decay quickly follow. True, the competitive system works harshly upon the weak and incompetent. This, however, opens a channel for development of benevolence, kindness, and patience, without which human nature would be exceedingly one-sided and forbidding. The indigent, unfortunate, and weak will always be a charge upon the stronger, whether in the family, the municipality, or the state. It is folly to think that life can be lived without struggle; and that is one of the chief delusions of Socialism which would quickly impair our national manhood and endurance. Trouble and pain have their part in the plan of nature.

The Socialist is usually an unfortunate or misled individual. He has probably suffered from reverses or unfortunate environment. He has perhaps been roughly or cruelly handled. Perhaps he cannot get on satisfactorily, or his ambitions have been disappointed. He is then in a condition of discontent ready to swallow Socialistic—or any other—sophistries which hold out the delusive promise of relief.

Socialism attaches too little importance to the fact that men are made with an infinite variety of tastes, abilities, and capacities. No two are precisely alike, and it is utter folly for poor, weak man to undertake to equalize these differences. All progress in history has been made through struggle and sacrifice; and Socialism, no matter how beneficent its intentions, cannot change the inscrutable laws of nature or humanity. All natural laws have their reverse side. Gravitation, which keeps us firm on our feet so long as we are on solid ground, knocks us to pieces if we attempt to walk off a housetop or over the opening of a pit. It is not the natural law, but the attempt to ignore it, that gives us trouble.

I most emphatically assert that we cannot get rid of competition, any more than we can get rid of the law of gravitation.

The American inventor, mechanic, farmer, merchant, and financier, and the worker in every profession, are, every one of them, proud, respectively, of their skill, knowledge, and ability. Their ambition is to excel—to produce the most and best. Experience,

enterprise, and courage create opportune conditions most favorable to the State and Nation and to themselves. Each vies with his fellow man in producing the best results, and is always willing to tackle any obstacle—no matter how formidable—that stands in the way of success. In his whole compendium and entire makeup, there is no such word as fail. He aids, by his untiring and individual energy and effort, in making his country the greatest in the whole agricultural, industrial, and financial world. He reaps the reward of industry and accomplishment, and his home is blessed with bounty; and he knows that his children have equal opportunity with himself to learn and to achieve.

Shall he be asked to tolerate, or consider, the sacrifice of all these things, so dear to him, for Socialism?

Shall he be led to believe in a foreign plan or system of government that degrades skill, eliminates acquisition and thrift, and ignores genius? I cannot think so!

These are the very qualities and attributes that he prizes so highly, as essential to the prosperity of the home and nation. He knows (or should know) that to do so would be to deaden and relinquish those God-given qualities of heart and brain that have helped to make him and his country what they are to-day.

He knows (what the nations of the world concede) that the American people are the most prosperous of all on the face of the globe; and that this high and commanding position has been attained under existing conditions, and through the operation of our admirable system of government.

Whatever, therefore, may be the pretexts used to make him dissatisfied with his lot, his own experience tells him every day that the Constitution under which he lives is a glorious one, and so implanted in the hearts of the American people as to be impregnable against the assaults of Socialism.

At the same time, he is appreciative of the fact that it is not in the nature of things to expect in this world blessings pure and unmixed; but he is thankful for the superior good that he enjoys under our beneficent democratic form of government.

A state of Socialism in the United States would tend to drive all our men of superior ability, skill, and power out of the country. The strong would quickly seek other fields where the qualities which they possess would have a free chance and an open field. They would promptly desert a country that offered nothing better than a dismal dead level, with no means of achievement in sight, and the nation would quickly fall into a state of miserable inertia or decay. Our forefathers came to this country to establish religious freedom; they next fought for political freedom; afterwards they sacrificed a million lives for race freedom; and now we, their successors, with such glorious traditions behind us, must stand for industrial and social freedom. For, in the final analysis, Socialism can stop at nothing short of industrial slavery and political bondage. Great achievements would be impossible under it.

Having shown the force and importance of individual initiative and independence and the necessity for the spur of competition to bring about the best results in human welfare and achievement, I now turn to the rather concrete branch of the subject, known as Municipal Ownership.

Naturally, a proposition involving the placing of the ownership and operation of our railroads, telegraph lines, plants for supplying light and surface transportation, and conducting manufactories and business, is one of such vital concern to all of us as to arouse our keenest interest.

It is a part and parcel of the Socialistic plan of government, and, to a very great extent, the arguments and illustrations presented in my treatment of Socialism, generally, are of direct application to Municipal Ownership.

I would term it the entering wedge of Socialism, adroitly resorted to by its advocates. These Socialists well know the temper of the American people toward their propaganda and wild project, and at the same time they recognize the peculiar trait of character disclosed by Americans in their curiosity and liking for anything new. Hence, they grossly exaggerate the shortcomings and ills that exist in our body politic as constituted; and, at the same time, extol, in an extravagant manner, the superior conditions that would follow the taking of a small portion of the Socialist's infallible cure.

Municipal Ownership, as far as I have been able to observe, is also a pure and simple political move to secure votes for aspirants for office, and it is used for this purpose, regardless of any other question. It is one of those planks that we often see inserted by parties in their platform, to stand upon, to attract and gather in the votes. So Socialism has its uses—for them.

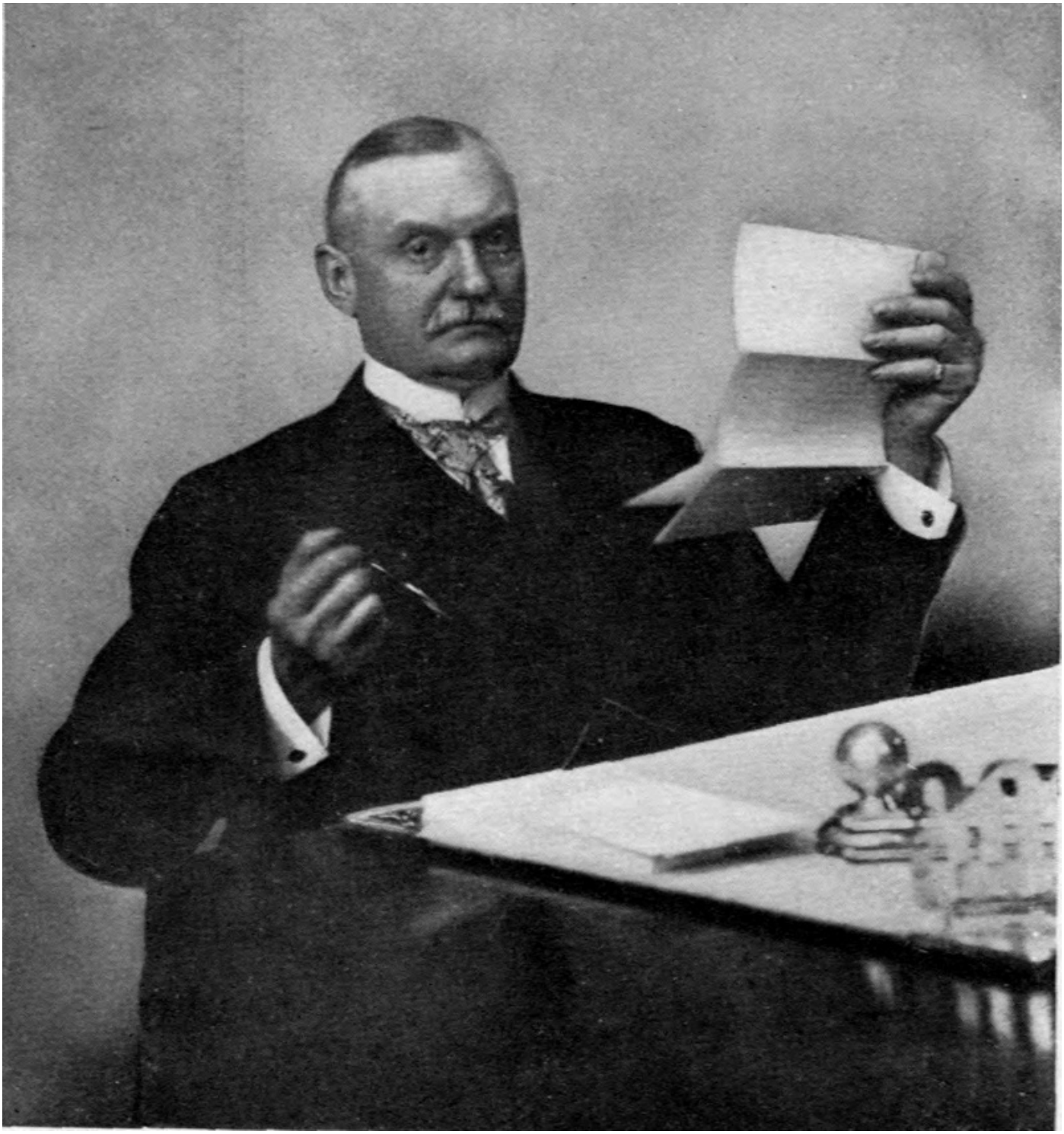
I will admit that there are many economists who have presented a friendly side to the Socialistic theories involved, and have prepared able and extended articles in their endeavor to support or uphold such theories (either in whole or in part); and it would be unjust to include them in the same category with politicians and Socialists. However, if that statesman was only half right who, in speaking of the tariff, said that the question was a business one, and that a condition and not a theory confronted us, then I feel that I am right in saying that "Public Ownership" is a practical business question entirely—and not a theoretical one.

There are so many logical and unanswerable reasons against this Socialistic proposition that I feel it incumbent upon me to enlarge only upon the practical ones, that I know more about, than upon those of the theoretical group.

The experience of years has demonstrated that at the present time all business enterprises require rare ability and experience, if not genius, to ensure success.

Great financiers and successful men have devoted their lives to the study and practice of their trade and business.

How is it possible, then, for municipalities to expect such qualifications from officers whose term of office is for one or two years, or during the tenure in office of a political party?



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THOMAS F. RYAN.

In the economy of commerce and its daily conduct and operation, there are numerous divisions or departments, each one of which can only be understood, appreciated, and conducted by men of special training and fitness—who have given years of application thereto—and it is only by their watchful care and expert management of each of these divisions that a possible success is derived or business made to pay.

The smallest neglect, the merest indifference to details, or the inattention that always accompanies abstraction by something else—taking one's mind off his business—upsets the whole system, and means waste instead of saving economy, loss in place of profit, and inevitable failure as the result. That this is true there is not the slightest doubt, and would be readily confirmed by the leaders of every industry.

Animated by a desire to make the best possible showing, for use at the next election, a false economy would be exercised under Municipal Ownership, and no attention would be paid to obtaining useful new inventions; and needed improvements and extensions would, likewise, be ignored.

On the other hand, under private ownership, the best professional talent is employed, at salaries unheard of in public office; and all the latest inventions and improvements are at once utilized, giving the public up-to-date service.

The active, modern business man, keenly alive to the requirements necessary to ensure profit and success, perceives at a glance the evils and mischievous results that would infect everything carried on under this Socialistic plan. And as John Stuart Mill well says: "The mischief begins when, instead of calling forth the activity of individuals, the municipality substitutes its own activity for theirs."

No serious attempt has ever been made to show the possibility of securing and retaining, under some rule of municipal civil service, or otherwise, the best men to assume the burden of management and responsibility. As already explained, it would be practically impossible to secure the best men, and no system of civil service has yet been formulated, intended and able to provide for their retention.

In this connection, a fitting illustration is the case of Colonel Waring, who instituted and maintained the best street-cleaning system we have ever seen. His work was simply marvelous, and he made New York City a model of cleanliness.

No one ever questioned his ability or integrity; yet, while at the very zenith of his success, he was asked to resign, and obliged to leave the city employment to make room for the choice of a new city administration.

The defects and fallacies of Municipal Ownership which I have described permeate all government ownership. Official reports and statistics furnish convincing proofs and conclusive evidence of the failure of this system as conducted abroad, and more signal loss and damage—in an incalculable degree—would surely follow its adoption here. Just in proportion as our interests and enterprises are the greatest and most successful, as compared with other nations, would be the immensity of our depreciation and collapse.

The United States is so different from other nations in its political system that this fact alone precludes serious consideration of our adoption of this imported Socialistic hobby and political heresy. It is also a country whose every chapter of growth, progress, and prosperity is a continuous narrative of individual efforts of its citizens. They, naturally, prize individuality as they do independence itself, and have every reason to believe that the present system of government is the best for them, and that this land of Individualism is no place for Socialism.

Imagine New York under Municipal Ownership of our public utilities! We should then have fastened upon us a more colossal and more corrupt Tammany than even existed in Tweed's times. Graft would thrive beyond all dreams of avarice. Let us take a lesson from England in this respect, where public ownership has been tried on a larger scale and under more favorable conditions than elsewhere. In a few instances the running of street railways or city lighting plants has been successful, but exceptions do not always prove the rule, and the conditions under which these enterprises have been operated there must be taken into consideration. English cities are comparatively free of political corruption, and are, moreover, often served by men of high character, wealth, and ability—men having a strong sense of civic duty, who deem it an honor to give their community efficient service. Unfortunately, we have not yet developed a class of this sort in the United States; perhaps in due time we shall; but, until then, the experiment of Municipal Ownership had better be indefinitely postponed. A weak point of Municipal Ownership has usually been the financial end of the business concerning which the public has been poorly informed. Many of these enterprises in English cities have proved unprofitable. The accounts have been juggled, and expenses that should be charged against the plant were often transferred to city accounts. Not a few of the English cities have so run into debt as to injure their credit and impair the sale of their securities. Already, the British taxpayer is beginning to complain about the costliness of these Municipal Ownership schemes, and a decided reaction against them is setting in. The London County Council has launched heavily into these ventures, many of which have proved losing ventures, and some prominent experts have gone so far as to predict that London will be bankrupt before long, unless present tendencies are reversed. If Municipal Ownership has failed under the highly favorable conditions which exist in England, how can it succeed here? Again, the English telegraph system operated by the British Government does not compare with the private systems of the United States,

either in efficiency or cheapness, and England with its public telephones is very far behind the United States in efficiency and cost. London does not begin to have the number of telephones per capita that New York can claim. American railroads under private ownership perform the best and cheapest service in the world.

If any further argument were needed to convince you that the United States is no place for Socialism, its root or branches, it may be found in the radical and quite amusing change of front shown by Major Dalrymple, of Glasgow, upon the occasion of his visit to this country. He came here at the request of Major Dunne, of Chicago, and the Municipal Ownership League of New York, to aid the forces of Socialism in their efforts in behalf of Municipal Ownership. He was the great Apostle of that doctrine in Glasgow, and the very man, in their opinion, to convert our people to that system.

Upon his arrival here, he was greeted with great éclat by the League of this city, and gave out an interview in which he spoke as follows:

"I see no reason why any city in this country should not be able to own its street railways, and to run them with as much success as we have achieved at Glasgow. I admit that the proposition is a much larger one than the one we had to tackle, but at the bottom it is the same."

This was before he knew our country and its institutions. After an extended stay here, he prepared for his homeward journey, but before sailing, he was again interviewed, and to the surprise and discomfiture of the Socialists, he retracted all that he had said before in favor of Municipal Ownership, in the following language:

"To put street railways, gasworks, telephone companies, etc., under Municipal Ownership would be to create a political machine in every large city that would be simply impregnable. These political machines are already strong enough, with their control of policemen, firemen, and other office holders.

"If, in addition to this, they could control the thousands of men employed in the great public utility corporations, the political machines would have a power that could not be overthrown. I came to this country a believer in public ownership. What I have seen here, and I have studied the situation carefully, makes me realize that private ownership, under proper conditions, is far better for the citizens of American cities."

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JOHN W. GATES.

The New York papers aptly called this "The conversion of the Scot"; and this blunt and honest admission coming from their own authority, that Municipal Ownership in this

country was wholly impracticable, stunned and paralyzed its agitators, and caused many of its adherents to leave the ranks of Socialism.

Mr. James Bryce, the worthy newly appointed English Ambassador to this country, pointed out some twenty years ago, in his "American Commonwealth," how the then future of the United States sometimes presented itself to the mind as a struggle between two forces—the one beneficent, the other malign; the one striving to speed the nation to a port of safety before the storm arrives, the other to retard its progress, so that the tempest may be upon it before the port is reached. He further expressed concern as to whether the progress then discernible toward a wiser public opinion and a higher standard of public life would succeed in bringing the mass of the people up to a high level, or whether the masses would yield to the temptation to abuse their power and seek violent and vain and useless remedies—like Socialism—for the evils which would affect us.

This able statesman predicted that the question would be decided early in the present century, and would be evidenced by the condition of progress and prosperity brought about by the people in the meantime.

When the Ambassador was recently welcomed to our shores, the answer to this question concerning us, asked by him so long ago, was found awaiting him.

It was spoken clearly and loudly by our teeming products of agriculture and mining, and echoed in thunder tones by our mammoth shops and factories of industry, and it was seen shining in the happy faces of our busy and prosperous people.

Upon the golden page of to-day in our splendid history will stand out the assuring fact that this surpassingly successful state of things has not blossomed and come forth under the blighting shade of the deadly Upas tree of Socialism, but that it has all been developed by and through Individualism.

In conclusion, let me impress upon you that Individualism in the United States has stood all tests—especially the crucial tests of time and experience—and it points with pride and satisfaction to the great developments secured for the American people under the bright and beneficent rays of our admirable Constitution and Republican form of government.

And if the aim of all government is to ensure prosperity to the country, and happiness to the people it controls, the unrivaled excellence of Individualism may fairly be judged by its magnificent results.

Edwin Markham, Esq., the Author and Poet, being agreed upon by both parties to the debate, presided at the meeting.

At the close of the above address the chairman addressed the 5,000 assemblage as follows:

> "LADIES AND GENTLEMEN: I hope you have enjoyed listening to Mr. Clews's very able address as much as I have. He swept the entire horizon and has left nothing more to be said on his side."

Mr. Markham then introduced Professor Kirkpatrick, to combat Mr. Clews's arguments.

CHAPTER LXXVII.

GREAT WEALTH AND SOCIAL UNREST.[5]

5. An address delivered by Henry Clews at the Thirty-fourth Annual Assembly of the Chautauqua Institution at Chautauqua, N. Y., July 29, 1907.

Mr. Chairman, Ladies and Gentlemen:

I think that you will agree with me when I say that there is nothing more commendable and that augurs better for the future of the institutions of our country—our great American Republic—than the interest shown by all classes in the important sociological questions of the day. The general willingness of our citizens to solve the serious problems involved by rationally debating them, and allowing careful consideration and calm judgment to lead the way to honest conviction, is one of the good signs of the times.

We are progressive in spirit as well as in our practical achievements, and, in many respects, we have set the pace for other nations.

At one time, we know, capitalists and leaders of industry too often either wholly ignored the discontent or appeals of the laboring people in their employ, or subject to their influence, or, if appreciating the causes of their discontent, showed no disposition whatever to right their wrongs, or even to define their own views and position, or make any attempt to defend their own side of the case.

This was the attitude of Capital toward Labor in former times that I may liken to the Dark Ages. It was, of course, radically wrong and unjust. The refusal, or, at least, the unwillingness, of Capital to recognize the fact that there are two sides to every case was not only oppressive, but often led to costly and destructive strikes, and, doubtless, in a measure, retarded development and progress in industrial and other human affairs. But now Capital is showing more readiness to meet Labor on the same platform of discussion; and in keeping with this opening of the door to fair and full two-sided discussion is the general tendency of legislation to improve the condition of the masses, and the Chautauqua Institution in holding this Convention to consider the question of Social Unrest is entitled to great credit for the performance of a most laudable service

in the interest of education and progress and the uplifting of humanity. It is sowing the seeds of future advancement and greatness in those directions.

The fact that Social Unrest exists, and moreover is very prevalent, not only here but throughout the world, cannot be denied. Thus, in Russia, just emerging from the throes of a deadly and costly war, the spirit of discontent and Nihilism is rampant, and in France the Terrorists are gaining in numbers and clamoring for their rights, while Austria and Germany are greatly disturbed by the constant persistence of the violent and revolutionary Socialists in railing against society and government as they now exist. In Great Britain, too, the Socialists have stirred the people to uneasiness by the loud threats, and rule or ruin alarms, that they are sounding.

While this unrest and discontent are especially great in foreign countries, we cannot shut our eyes to the fact that these exist in the United States—though not in such large proportions as in Europe. Moreover, they are largely of a different kind and quality.

But it is not well for us to give undue recognition to the Socialistic outcries in this country, for by so doing we might encourage and aggravate a condition that, to my mind, is an equal menace to both Capital and Labor—the two great living forces of our national life. We may increase an evil by magnifying it.

Too much appreciation and regard cannot, however, possibly be shown to that spirit of unrest existing among us, which leads to individual betterment and national development, and which is especially characteristic of the American people.

Ever since the blazing torch of civilization threw its bright light upon the world, it has been the paramount disposition of man to add to his possessions and to aspire to higher and better conditions. In this he is distinguished from savages and the lower orders of animal life, which have no perception of what we call ambition and achievement.

Man being endowed with a mind, it is through the exercise of his mental faculties that he is made restless under unsatisfactory conditions; and civilized man is fired with a desire for improvement, and particularly to improve his own fortunes and position by increasing his possessions, and acquiring distinction, or reputation in his business. This is well, so long as it does not degenerate into graft, or the misuse of other people's money.

It is this unrest and this aspiration that constitute the great incentive to human progress, and that have given us our cultivated fields and teeming harvests, endowed and multiplied our noble edifices of learning and religion, built our large and splendid cities and homes, our great bridges and other engineering works, and our vast factories and other busy hives of industry. This is laudable ambition that stimulates national development.

We must, however, be careful to draw a plain line of demarcation between that unrest I have described, and which springs from an appreciation of the solidity and soundness of our foundation and aspires to build thereon so as to realize the highest ideals of perfection and success—and that misguided or malicious unrest and discontent incited by Socialism. This is really at enmity with all civilized forms of government and all measures of advancement in the right direction, and seeks their overthrow and utter destruction.

The spirit of unrest that I have commended, and which I have termed an American type, is not noisy and clamorous in its nature, and it manifests itself mostly through organizations of labor, in demands for adequate or increased compensation, or the fixing of a stated reasonable number of hours to constitute a day's work. With these purposes, and the aims of Labor-Unions generally, I want to state that I am in the fullest accord. The laborer is worthy of his hire, as the Bible says.

But it is not from this source that the wail and cry of Social Unrest comes. No, "The shallows murmur, while the depths are dumb," and it is from the other and Socialistic class that we hear the government and its institutions decried, and capital and commerce attacked, and the spirit of competition and achievement assailed. I say, Down with these assassins of good government, these assailants of law and order!

True, we see Labor strikes in some places; but these are incidents that have not been uncommon at any time in the past, and are not marked or significant enough now to form a particular feature of the prevailing Social Unrest. We have not yet reached the Millennium!

But whence comes the Socialist's expression of unrest and discontent, and what is it based on? It reminds me of Don Quixote, and the fight against a windmill.

What is the sum and substance of the Socialists' grievance? They see only evil in what is really good government, and none are so blind as those who will not see.

They claim to be dissatisfied with the existing order of things. But what remedies that are not revolutionary do they prescribe for the cure of existing social and political ills? The fact is that many Socialists at heart are anarchists!

In almost every instance you will find among the rabble at a Socialist meeting some honest but mistaken theorists, who plausibly find fault not only with the conduct of our government, but with the very form of our government itself, and picture, under the delusion they cherish, an utterly impossible Utopia where—

"The people all are blessed
And the weary all have rest."

These visionaries are reinforced by pretended reformers and professional agitators, often of great persuasive powers, who appeal strongly to the passions and prejudices of the ignorant people of various nationalities who are made to imagine that they are still down-trodden. Here, in my opinion, lies a real menace and danger—that of these people being carried away by the power and passion of such appeals, the inflammatory utterances of reckless demagogues and firebrands. They are the public enemies we have most need to guard against.

The path of safety lies in standing ready to discuss every proposition which they advance, and then refute, with cool reasoning and argument, the fallacy and falsity of their position and the destructive doctrines they teach.

It will also be very noticeable that the people comprising the Socialistic audiences at such meetings are mostly foreigners who, seeking better social and political environments, emigrated to America, a large part of them within the past decade or two. As discontented aliens they become as dangerous as the firebrands they listen to, but there is no spirit of self-sacrifice among them. Moreover, they are slaves to what is worst in Socialism and blind followers of a false god!

That this peculiar condition of things should exist in this country seems almost paradoxical. It is something that a patriotic American cannot tolerate, and mainly an outcome of Russian oppression, imported by those who have fled from it, and who fail to understand or appreciate the new conditions under which they live. We can well understand and appreciate how, in a country ruled by a despot, whose heel of oppression and tyranny is ever on the necks of the down-trodden people, the masses, desiring some measure of free action and equality, would revolt against these conditions, and seek a reorganization of society. They would, naturally, look as far away as they could from such a government of despotism—the only one they had ever known—to the other extreme—an imaginary country where the State should own all the land and capital, employ all the people and divide everything, share and share alike, among the community. Such a government will, of course, never exist. It is simply impossible.

But the spirit of revolt, which, in that case, may be patriotism, becomes ridiculous, and open to the charge of insincerity, when its worst doctrines are transplanted and cultivated upon American soil by our foreign population. When it appears here it is really more like Anarchism than Socialism, and I emphasize this.

Born of the spirit of resistance to oppression, with the broadest and freest constitution that the world has ever known—a land of freedom and equality in the best and most liberal sense of the term—it would seem that the sincere lover of liberty and equality could ask no better home than this democracy of ours—whose glorious flag floats over eighty-four millions of prosperous and enlightened people.

With further reason, also, must we question the sincerity of the violent type of Socialist, who, leaving oppression behind, emigrates to this country, where tyranny and despotism are unknown, and yet continues to echo Socialism's war-cry of destruction, wrung from his heart by the cruelty of his old-time oppressors. When he does this he becomes an enemy of our Republic, unworthy of citizenship.

He comes here from a land of want and thraldom to a land of plenty and freedom. He may come without name, fame, or property, and he is received with open arms. After a brief residence, he is entitled to full citizenship, and is then a part of the government, enjoying all the rights and privileges of the native born. He is a sharer in the equality possessed by all, the right to share in the government such as the electoral franchise and eligibility to public office. He is possessed of the civil rights enjoyed by all citizens in the equality of material conditions—that is, the right to acquire wealth and all that wealth implies.

Every opportunity for him to achieve success and happiness abounds on every hand, and every incentive to industry and accomplishment awaits him, and, if he is energetic and skilful, there is nothing to hinder him from becoming prosperous, or, in other words, successful in whatever vocation in life he may engage. With qualities that commend themselves to his fellow men, there is no limit to the possibilities of his achievements, and very soon, as has been very often the case, he may become not only wealthy but a leader of men. If, therefore, he is sincere, surely he must agree with me that in view of these conditions this is no place for the Socialist. He must be an ingrate who would fail to appreciate the splendid boon.

Does it not, indeed, sound like a paradox to hear this cry of Socialism still rending the air while every avenue of fortune lies open to everyone? It is a glaring anomaly of the times, an offence to American institutions, a poor return for our national hospitality. Vague and illogical as the theories advanced by the doctrinaires of Socialism are, there runs throughout all their teachings and preachings bitter and radical opposition to individual accumulation of wealth and individual competition in industry.

Socialists would, in other words, fence up the great field of free opportunity, deaden all incentive or inspiration for great achievement and not only curtail, but wholly remove the right to compete and excel and make it impossible to achieve success as the result of individual effort. They would reduce us all to a barren uniformity.

Think of this monstrous proposition! Why, the very thing that the Socialists attack as untenable and wrong in government, namely, individual competition, has done more than anything else to make us what we are as a nation; has kept alive the precious fires of liberty and freedom, and preserved the institutions of our country. Take away the progressive spirit of Individualism from the people, and you at once eliminate the American spirit—the love of freedom—of free industry—and free and unfettered opportunity—you take away indeed freedom itself!

The state of society the Socialists seek to establish might be beneficial to a class which, under any conditions, lacks frugality, thrift and self-reliance; but just where the general mass of humanity would be bettered or elevated socially, morally or politically, is a point not satisfactorily explained, and never will be.

If you render equally accessible to each and every member of the human family the benefits of civilization, all holding "properly in common," why should a man rack his brain or strain his muscles in producing something which he expects to prove remunerative or beneficial to himself in some way, but which under the Socialistic state would contribute to the equal financial benefit of all? The highway to distinction and opulence would be closed.

As illustrating the inconsistency of some poor specimens of human nature, when put to the test of Socialism, I will tell two stories:

Jerry Sullivan had proclaimed himself a Socialist, and was being interviewed by his friend, Mike Casey.

"Jerry, do you believe in dividing up everything with your neighbor?"

"Indeed, and I do that."

"If you had two horses (Jerry had none) would you give one to your neighbor Flanagan?"

"I'd be only too glad to."

"And if you had two automobiles, would you give him one?"

"Sure, Mike, I would. We should have share and share alike in this world."

"And if you had two Angora goats (which Jerry did have) would you give one to Flanagan?"

"What, give him one of my goats! Not by a jugful! Let Barney Flanagan buy his own goats."

One of my millionaire clients, on his return from a trip abroad, called upon me to pay his respects. In the course of our conversation he said he had become a confirmed Socialist. I expressed surprise, and said, "Then, of course, you are going to divide up all your properly with your less fortunate associates?" He said, "Oh no, but I want all the other fellows to do it."

The most commendable object in Socialism is the uplifting of the down-trodden and poor, yet that great Commoner and Tribune of the People, William Jennings Bryan, tells us that under Individualism we have seen a constant increase in altruism. That the fact that the individual can select the object of his benevolence and devote his means to the causes that appeal to him has given an additional stimulus to his endeavors. And Mr.

Bryan pointedly asks the question: "Would this stimulus be as great under Socialism?" Let it not be forgotten that by means of present tendencies and existing economic laws the poor are constantly growing richer, that is, better off, particularly as indicated by the savings bank deposits. The common people and the savings banks were never before so prosperous as they are now. Labor has made great strides, and the uplift in the lower walks of life in all Christendom during this generation and particularly during the past twenty years has been beyond precedent. Give us wise and just legislation, and complaints of the inequitable distribution of wealth will quickly disappear. Let us put down and keep down the revolutionary Socialists and Anarchists.

Of course, if the unrest of a people is prompted by a desire to promote the good of the greatest number of their fellow beings it will be productive of lasting benefit to all in the long run. But if any combination of capitalists, laborers, politicians, or religious bodies, has for its aim the particular good of only a certain class or party, such action as they take will be prompted by selfish desire, and will work for evil and injustice. The great mass of the people of this country, outside of the big cities, are not allied with either the members of labor unions or the very large capitalists, and the feeling of discontent is largely bred in cities, where it is magnified by the prominence given to it by agitators and the newspapers.

The wage earner in the cities is more or less disheartened by the high prices of food supplies, the higher rents and the higher rates of interest on mortgages, and he argues that his pay has not advanced in the same proportion as the price of home necessaries. Mechanics and other laboring men are receiving higher average wages than ever before, but the display of wealth in modern palaces for the rich, and the abundance of automobile and kindred luxuries among them, have kindled envy and whetted their desire for things beyond their means or hopes of attainment. While no law can change the nature of a man, and while we cannot expect an ambitious man with an elastic conscience to always become a benefactor, or a labor union leader, filled with hate, to become a saint, I hope that the agitation now existing may lead in time to a more general observance of the Golden Rule, to do unto others as we would they should do unto us.

I may say here that I believe nine-tenths of the dissatisfaction of the masses is based upon mistaken ideas. Few men are capable of judging impartially of the rights or the motives which actuate those upon whom Fortune has smiled: Success may be often a matter of luck and opportunity; but it cannot be denied that judgment, mental force and courage are the factors which are bound to insure success.

I now speak not only of success from a monetary standpoint—for many of our most useful, intelligent and influential citizens are comparatively poor—but of all success. Our larger cities are the hotbeds of unrest. The older generation, being anxious that their sons shall have more, and know more, than themselves, and enjoy the good things in life which they have desired but have not been able to obtain, now try to give their children

a liberal education and fit them for what they consider more congenial or higher-class occupations than their own.

The outcome of this is that the younger men, when their education is completed, drift into the cities, where they think they have a better chance of getting on in life. It is the same with farmers, laborers and mechanics. Their children desire to rise above their early environments, and wish to occupy positions where they can use their brains rather than their hands. Hence the many deserted farms in New England and in the State of New York, for poor soil is not sufficient cause for their desertion. It can be made good by fertilizers, and where there's a will there's a way.

This discontent is producing a superfluity of clerks and other brain workers, who think work with the head more genteel than work with the hands, and a great shortage of farm workers that are needed to develop our agricultural resources. Even the children of the most ignorant foreigners are imbued with this ambition before they are able to speak our language. Too many despise honest labor and want to live by their wits. So we have a vast host of surplus politicians, office-seekers, promoters, brokers, lawyers, clerks, canvassers and drones.

In olden days the young were willing to follow in the footsteps of the old, and begin life where their fathers began. Now they expect to begin where their fathers leave off, and are dissatisfied and disappointed if they find that they have to start from the foot of the ladder.

What we most need in this country to promote and popularize farm and village life, and check the general tendency of both young men and young women to drift to the large cities, is a change in our educational system. We should establish trade schools everywhere to teach the trades and practical sciences, and so make country-bred people proficient in occupations that they could follow on the farm, and in village as well as town life. This knowledge would induce them to stay where they were born, instead of rushing off to make or mar their fortunes in the overcrowded cities where many come to grief. Thus the congestion of population in the cities would be relieved, and the country generally would be able to retain the men and women it needs for its industries that are now held in check by an insufficiency of labor. In this way we might gain millions of good mechanics and other useful workmen where they are most needed, and reduce the number of the inefficient and unemployed in the cities, to say nothing of the chronic idlers and the sporting, gambling and criminal classes. Men instructed for the professions would of course still study in the colleges, but the masses have no use to which they can put the higher education of even the high schools.

There are a lot of well-meaning theorists engaged in so-called Social reform who are largely responsible for many things that add to the unrest in the poorer sections of our cities. Far be it from me to criticize anyone who has the desire to better the condition of his less fortunate brothers, but the work of many of these reformers reminds me of the

man who threw a panful of kerosene on a small fire with the idea of putting out the flames. To be a true Social reformer a man must be well informed on conditions which obtain on all sides of life. A rich man may have acquired wealth by miserly habits, but if he has not been dishonest he is entitled to his savings, and no law can compel him to divide with the poor man who has been profligate in the use of his earnings. The thousands of immigrants who arrive at our ports each week are, for the most part, poor and ignorant. The greater number of them remain in our cities and add to the congestion and widespread poverty of the cities. But these same immigrants are willing to work, and in a year or two, instead of being a charge upon the community, have savings bank accounts of their own. However, they are ripe for the reception of the gospel of unrest, as they have lived hitherto in places where the poor are always poor, with no lookout for improvement, and willingly listen to the agitator and prophet of discontent. Mr. Roosevelt has said and done things in the last four years which have shaken our land. Many investors have thought that he had gone too far in his insistence that the law should be rigidly enforced, as they, innocent holders of securities, had been made to suffer loss by the depression in prices. While it is hard that such losses should have been incurred, it is no fault of the President, and his action, in the long run, is to be of untold value to our national and individual prosperity. If his actions will insure the fulfillment of the law by the magnates in power in our railroads and corporations, the little man will be on a par with the big man, and all investments will be on a safer basis, and the dark secrets of the manipulator will give place to the open publication of rates and earnings so that a stockholder will know where he stands and what his company is doing.

Daniel Webster, as far back as 1842, found that the spirit of unrest was in the air as it is now. In an address in that year he said:

"There are persons who constantly clamor. They complain of oppression, speculation and the pernicious influence of accumulated wealth. They cry out loudly against all banks and corporations and all means by which small capitals become united in order to produce important and beneficial results. They carry on mad hostility against all established institutions. They would choke the fountain of industry, and dry all the streams. In a country of unbounded liberty they clamor against oppression. In a country of perfect equality they would move heaven and earth against privilege and monopoly. In a country where property is more evenly divided than anywhere else they rend the air shouting agrarian doctrines. In a country where the wages of labor are high beyond parallel, they would teach the laborer that he is but an oppressed slave."

I will here deviate to another division of the subject.

Considerable uneasiness and unrest have been evinced not only by the Socialists, but by many others, as to whether great individual or corporate wealth—in other words, capital—is inimical and hostile to the public welfare and a menace to our institutions.

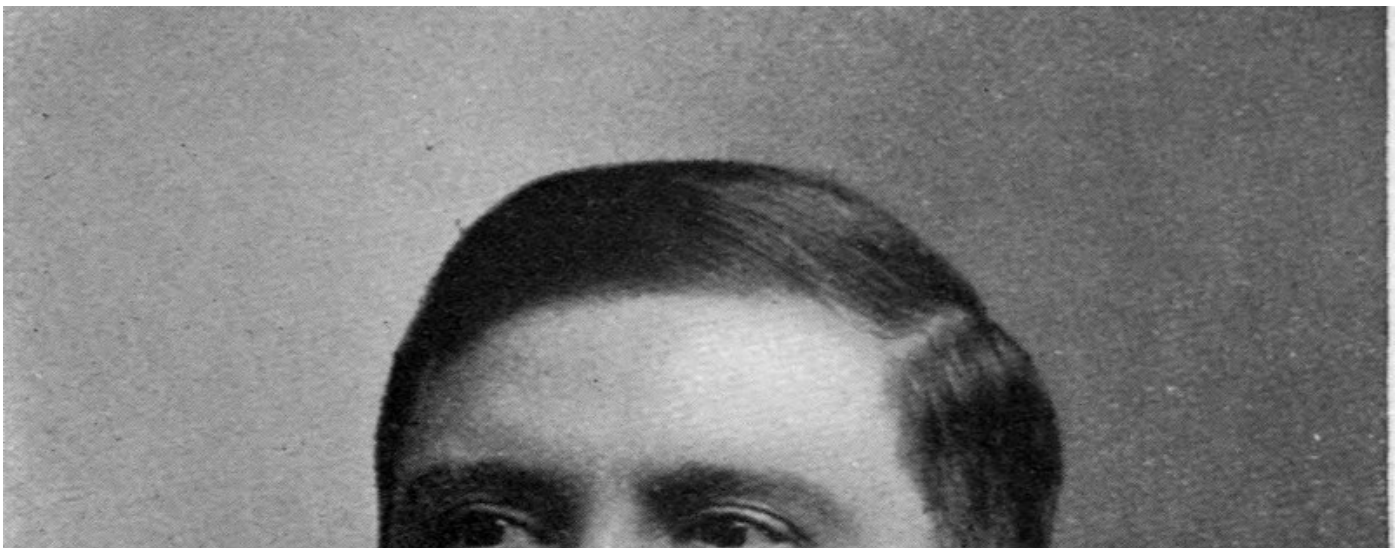
I think that it can be clearly shown that this anxiety and unrest are without any good foundation. There is nothing in fact to justify this unrest.

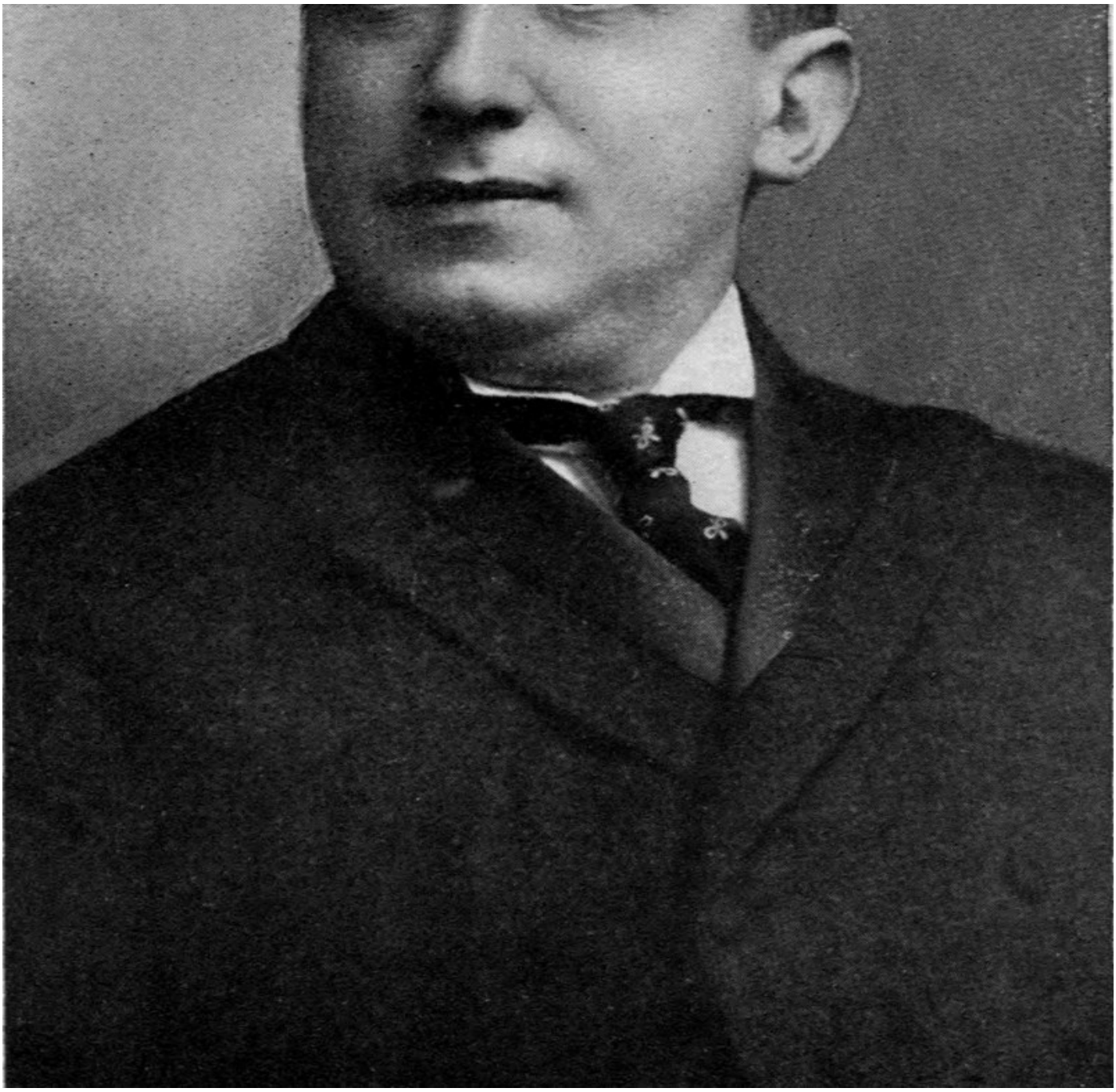
In our own country especially, where individual opportunities are practically limitless and where thought and effort are exerted to the utmost straining point, most fruitful, indeed, has been the result. We have seen that the making of large fortunes coincidently with great general prosperity, that is, by those doing a profitable business on a large scale, is an inevitable economic result.

The past forty-five years in the United States embrace a new era of wealth—an era in which the accumulation of vast amounts of money, or its equivalent, in individual and corporate hands, has accompanied the most marvelous national growth and prosperity in all history.

New conditions have arisen, and new methods have had to be employed, while new men, equipped with new ideas, have not been found wanting to meet all requirements, and to keep step with the march of progress on both land and sea. Unlike the people of some of the older countries, where, as in Russia, they distrust their government, Americans do not hoard their wealth. They employ it. They have nothing to hoard it for. Their quickly acquired fortunes are generally lavishly disbursed, both in their style of living and their investments. With much of the money they put into circulation, railroads are built and extended, mammoth factories are constructed, labor is employed on a larger scale than before, more farms are cultivated, and more crops are moved and exported. Through all the arteries of trade and commerce the wealth thus employed flows and adds to the growth and prosperity of the country.

Keeping the wheels of commerce moving, by supplying the demands of the financial, mercantile, manufacturing and agricultural world with the “sinews of war,” in the up-to-date American way, instead of merely gathering wealth and hiding it away, has been to my mind one great secret of our unprecedented national advancement.





CHARLES M. SCHWAB.

Although it is impossible to demonstrate just how important an influence this practice of keeping wealth actively in use has played in helping to bring about and preserve the generally progressive and prosperous condition of affairs, there is evidence enough to refute much that has been said against the possession of great wealth, and also to show that the hostile or critical attitude of the press and the people toward it is unjust, and should be derided instead of being popular with the masses, as it is. The assistance which Americans of great wealth have given the nation, in the founding and preservation

of institutions for the public benefit and in many other ways, has never been sufficiently appreciated or acknowledged.

Wealth in good hands serves good purposes. The richest men of the Thirteen Colonies in the American Revolution were among the most active and self-sacrificing of American patriots. They included George Washington, John Adams, John Hancock, Thomas Jefferson, James Madison and Robert Morris, whose names are imperishable on our national roll of fame.

In that glorious struggle for freedom, these wealthy patriots performed a leading and arduous part, and aided largely in effecting that grand result—the establishment of this great republic, the United States of America, under the best and freest Constitution in the world.

Passing onward from that memorable time, we come to that of the Rebellion, when Secession reared its aggressive head, and the very life of our institutions was in extreme jeopardy. In the early part of the great Civil War—when the Government, friendless abroad, knew not which way to turn for the financial aid that it so sorely needed to defend itself and prosecute the war—history will recall that the great wealth of private individuals proved not a menace, but a blessing and a godsend to the Nation. These served their country well by coming forward with their wealth and buying United States bonds in large amounts when the risk was hazardous. By so doing they rendered patriotic public service that should make even the Socialists hesitate before condemning great individual wealth as dangerous to the national welfare.

I might in illustration of what I say enumerate instances almost without number where, from the rock-ribbed coast of Maine to the Golden Gate of California, under the beneficent rays of great gifts of the wealthy the seeds of education have been sown broadcast and have grown into grand and telling factors in shaping the character of the rising generation of American manhood and the destiny of this great country.

In keeping with the hostility, or unrest, concerning great individual wealth, and large corporate capital, we are at times confronted by the bold assertion, made by extremists, that some limit should be set to the amount of property an individual may own. The impracticability and inadvisability of any such measure are at once apparent. You might as well try to limit the capacity or energy of an individual. When you prevent an individual from accumulating you at once discourage his productiveness. This is an axiom beyond dispute.

As regards great corporate capital, I must admit that there has been in many instances, in the past, good cause for much of the unrest and dissatisfaction manifested by the people.

Toward competitors large corporations have too often been unscrupulous, just as the railways were in giving rebates to control the heavy traffic. These illegal and

reprehensible methods were pursued far too long, not only causing immense personal and commercial loss and injury, but shaking the confidence of the public in the large corporations called Trusts. These offences can, however, under our new laws, hardly be repeated in the future.

Under the provisions of the Sherman Anti-Trust law, the Elkins Anti-Rebate law and other and later restraining statutes, condign punishment will, doubtless, be dealt out to offenders, and a rigid enforcement of these laws, and their necessary amendments, will be sufficient to regulate corporate bodies and stand as an ægis of protection for the nation.

In this very active period of business reform overcapitalization is an evil that must be classed with rebates, railroad discrimination, and other corporate abuses. This also applies almost equally to both the industrial and railroad systems. However much this evil may have been regarded and thought inevitable in the past, owing to peculiar and lax conditions in the pioneer days of railroads and industrial upbuilding, it is intolerable now, and should be made impossible in the future. There is not the slightest doubt that a great deal of the public unrest has proceeded from this source. But, with the stoppage of the evil, it ought to subside.

Overproduction of any kind is a detriment to trade and leads first to extravagance and then to disaster; overfeeding produces disease; overtraining of an athlete weakens him and causes his defeat; overstudy racks the nerves of the student and unfits him for usefulness. Overwork kills man and beast, and ruins even our locomotives and machinery. Too much rain, too much wind, and too much sunshine spoil our crops; too much confidence or too much caution prevents a business man from achieving success. There is a happy medium in all things which produces good results and promotes success. Under our modern system of financing our railroads and industrial corporations overcapitalization has in many instances run riot and produced an overplus of undigested securities. This system of financing will surely lead to disaster if not curbed and conducted in a rational manner. If a company needs additional funds for legitimate purposes, such capital is a necessity which stockholders will willingly provide; but the managers of corporations should be compelled to state exactly and definitely for what purpose such funds are needed, and should also be compelled to make a clear and definite report.

Centralization of power in the hands of an able executive is a good idea if he prove worthy of the trust his colleagues confide in him, but, on the other hand, makes him a master, and them slaves, if he be unscrupulous and crafty.

Happily, the days of overcapitalization are seemingly over, and an aroused public opinion will, no doubt, be expressed in whatever prohibitive laws are necessary, if those already enacted prove insufficient.

In, at least, some instances the existing laws seem inadequate. It is likewise due to the sound corporations of the country, as well as to the public, that something further should be provided to overcome the feeling of suspicion toward them, and to keep the people informed as to their existing methods and the true condition of their affairs.

The remedy for corporation wrongdoing is found in publicity! This publicity is the great need of the present and the future, and the public should demand it. It is a lamp that we should always keep burning.

In a recent address delivered by me before the Wharton School of Finance of the University of Pennsylvania, I urged that the New York Legislature, as well as the Legislatures of the other States, should respond to the popular agitation for this publicity by passing laws requiring all corporations to make at least semi-annual reports of their condition, certified to by registered public accountants, with power invested in the State superintendents to order special examinations by such accountants at any time when deemed necessary, that is, whenever any of them were suspected of being unsound or irregular in their business methods.

The question now to decide is what remedies can best be adopted to prevent a repetition of stock-watering. My plan is for the Government to appoint a salaried director in each of the interstate roads, this director to be on the executive committee also. His duty should be to act as a watchdog, and he should be required to report to the Interstate Commerce Commission all crooked acts or suspicions of any; besides which the interstate roads should be compelled by law to issue sworn statements of their exact condition semi-annually. Officials of railroad companies found guilty of any illegal acts whatsoever should be punished by imprisonment. Money penalties are of no use in stopping wrongs of wealthy corporations.

Railroad discriminations and other abuses were incident and owing to our extraordinary development during the last half century, and especially to the striking failure of our Legislatures to keep pace with national progress.

Let us briefly look into a few of the causes which were responsible for this railway abuse. Both before and after our recent Civil War this country was greatly in need of more railway transportation than it had, and national development was impossible without it. We had millions of square miles of territory rich in natural resources, but totally undeveloped and awaiting population, capital and transportation. Of course transportation had to be provided before either population or capital could venture with any freedom into the Great West. In those days it was vastly more difficult to raise $1,000,000 for a new railroad enterprise than it was to procure $100,000,000 in more recent times. The public was not accustomed to such ventures, and the country did not then contain the large number of wealthy men who must now be depended upon to back such great enterprises.

In those days railroads required relatively large capital; the risks were new and great, and some means of securing large profits had to be devised in order to tempt men of means to venture into such enterprises, which from their very nature involved a long wait for profit. Our earliest railroad builders were men of unbounded faith in the future, and they well knew that many years of patience and outlay would be necessary before such enterprises could become profitable. It is almost axiomatic to say that in this country our railroads have been the principal factors in national progress. In the United States, railroads were called upon to develop both population and traffic. In Europe, population and traffic were already in existence and simply awaited the railroad. When railroad building first began, England was already a closely settled country; and it was only necessary to construct the lines to obtain profitable traffic at once. No special inducements were necessary for the attraction of capital, and no preliminary period of waiting or loss was required to develop traffic. It was vastly different here; railroads had to be built across thousands of miles of new country, frequently over apparently insurmountable mountains where neither traffic nor population existed; and their builders, men of monumental ability and enterprise, knew full well that a generation must pass before such enterprises could be considered profitable and solid investments.

Under such conditions what inducements could be offered to overcome such overwhelming obstacles? While government aid was eagerly sought, it was restricted mainly to the Pacific roads where political reasons, such as unification of new territory, justified government support. Another form of national aid was the giving of large land grants to railroad corporations as a stimulus to the settlement of new territory and the building of roads adjacent thereto. Even those helps were insufficient.

Meanwhile, the treasures of the Great West offered irresistible attractions to new enterprise and settlement. The demand for more railroads was insistent; then came the devices of stock-watering and overcapitalization as inducements to new capital. Roads were often built entirely on bonds; and stock, having little or no value except for voting, was given away as a bonus with the bonds, or used for various purposes, often in speculation, and such stock frequently found its way back to the original promoters at bargain if not waste-paper prices. This era of speculative railroad building was naturally accompanied by all sorts of illegitimate operations; overcapitalization bearing a leading part. No one would now dare think of resorting to such practices as were common in those pioneer days. They were utterly indefensible, and yet as an expedient they served their purposes in raising much of the capital with which to develop our early railroad systems.

Our great railroad builders were fully entitled to great profits, since their boldness and skill developed the finest railroad systems the world has ever seen, and without them the United States would never have obtained its present magnificent position and prosperity. We must admit their methods were open to serious criticism, and would not

be tolerated in these days of improved business standards. Nevertheless, they were the methods of the day, and must be judged as such. I do not wish to be understood as defending or apologizing for overcapitalization, for I consider it an economic evil of the most dangerous character, and its penalties—political as well as economic—cannot be averted.

It should not be forgotten that the great wave of grangerism and anti-railroad agitation which swept this country in the '80s was a direct revulsion of popular feeling against the burdens of overcapitalization and their tax upon traffic. These were the political results of such abuses. The economic consequences which followed—somewhat late to be sure—were witnessed in the reconstruction period that followed the panic of 1873, when vast millions of railroad capital were literally wiped out by the reorganization of railway corporations.

To-day most of our railroads are comparatively free of overcapitalization, both because much of the water has been eliminated by reorganizations, and because the increased value of terminals and other properties, as well as the large improvements that were paid for out of earnings, have increased the intrinsic value of shares which at one time may have been practically valueless. This process of accretion has been going on for many years, so that now there is comparatively little difference between intrinsic and market values. Of course, some recent striking departures from sound railroad financing can be cited; but I am speaking in broad terms, and have no hesitation whatever in asserting that American railroad investments are now sounder financially than any similar class of securities in the world, and this notwithstanding that railway companies are compelled to borrow enormous sums in order to meet the demands of a wonderfully expanding traffic.

A comparison greatly in our favor could be made with British railroads which have for years been inflating their shares by a policy of charging improvements to capital account; the American system being to charge such items against earnings. The result is that British railroad shares, which were once held up to us as models of soundness and honest capitalization, are now seriously threatened with an excess of water; and unless the present policy is changed, English stockholders will soon be discarding their home favorites for the bonds and stocks of more soundly managed American railroads.

I have dwelt considerably upon the overcapitalization of our railroads. Now a word about overcapitalization in another direction, where it is a vastly more serious affair. While we now have little to fear from overcapitalization of railroads, an inflation has taken place in our industrials of the most extravagant character, and this is one of the most serious menaces to our industrial and financial future. A feature of our national development which has attracted world-wide attention during the last ten years has been the consolidation of nearly all our great industries into a few "Trusts." This era of consolidation, or "Trust-making," must be classed as an industrial revolution of the

highest import, containing tremendous possibilities for both good and evil. Within a few short years a large proportion of our industries were combined or turned into Trusts, and securities issued in exchange aggregating about $6,000,000,000.

Of course, many of the objects of these combinations were perfectly legitimate. The seeking of better and more economic methods of production and distribution was eminently proper, but the grasping for monopoly was not legitimate, and has proved more largely responsible for the political and social unrest of the times than any other single cause. Nothing has done more to stimulate Socialism than this unwholesome tendency toward monopoly and excessive centralization. On this feature, however, it is not my intention to dwell further; I must even entirely pass over the overcapitalization of public franchises as a subject of sufficient importance to demand special treatment.

All things considered, however, I feel safe in saying that there is practically no more reason for unrest on the part of the business community or the people of the nation, on account of the large aggregation of capital represented by Trusts, than from equally large sums in the hands of individuals; for both are equally controlled by law and influenced by public opinion, and public opinion is often more powerful than law in righting wrong. Moreover, public opinion makes the laws. As the Latin aphorism says, The People's voice is the Voice of God!

I take decided issue with a certain distinguished gentleman from Maryland, that the existing unrest has been brought about by the national administration at Washington, and by the Chief Executive of our country, and challenge the truth of this assertion. It is both a surprising and ridiculous accusation. The leading men of thought—not only in the United States, but all over the world—agree that if, after the startling exposures of the life insurance and railroad abuses, President Roosevelt had not taken the sturdy and bold stand that he did, the confidence of the public would not only have been severely shaken, but would have been well-nigh uprooted; and such a general spirit of unrest would have followed as to be truly alarming in its nature.

As it was, his level-headed and courageous course was timely and almost providential, and instead of being the subject of adverse criticism, he is entitled to the highest praise from all. Apart from some politicians and a few others, we are indeed all paying him this deserved tribute. He has often shown us that he possesses the courage of his convictions. In conclusion, while we doubtless all agree that the existing social unrest, anxiety and prejudice are to be deplored, may we not also unite in the hope that, under the educating influence of a full discussion of the economic questions of the hour, and with the enforcement of the laws in the hands of an honest and courageous executive, the way to betterment will be thoroughly paved? It is a patriotic duty to endeavor to lessen popular discontent and promote social and political peace and harmony, and substitute public confidence for unrest and the violent agitation of Socialism, and so enhance the manifold blessings we enjoy as American citizens, yes,

as citizens of the foremost nation of the world, with a future even grander than its past, a country where Nature is everywhere lavish of her abundance, and freedom and independence are our birthright. Beholding then, my friends, this grand spectacle of national progress and achievement even as it appears to us at this day, it certainly needs no prophetic tongue to foretell with confidence and absolute verity that to the true and ardent patriot and ambitious American, in fact, to every man inspired with lofty ideals and imbued with a spirit and desire for improvement and the perfection of democratic government, the social and political vista of our country's future will disclose a picture of prosperity and contentment that will prove a glorious inheritance to the coming generations of the American people.

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AUGUST BELMONT.

CHAPTER LXXVIII.

THE FINANCIAL SITUATION.[6]

6. An address delivered by Henry Clews at the Fifteenth Annual Convention of the Kentucky Bankers' Association in the Auditorium, Seelbach Hotel, Louisville, Kentucky, September 18, 1907.

Mr. President, Members of the Kentucky Bankers' Association:

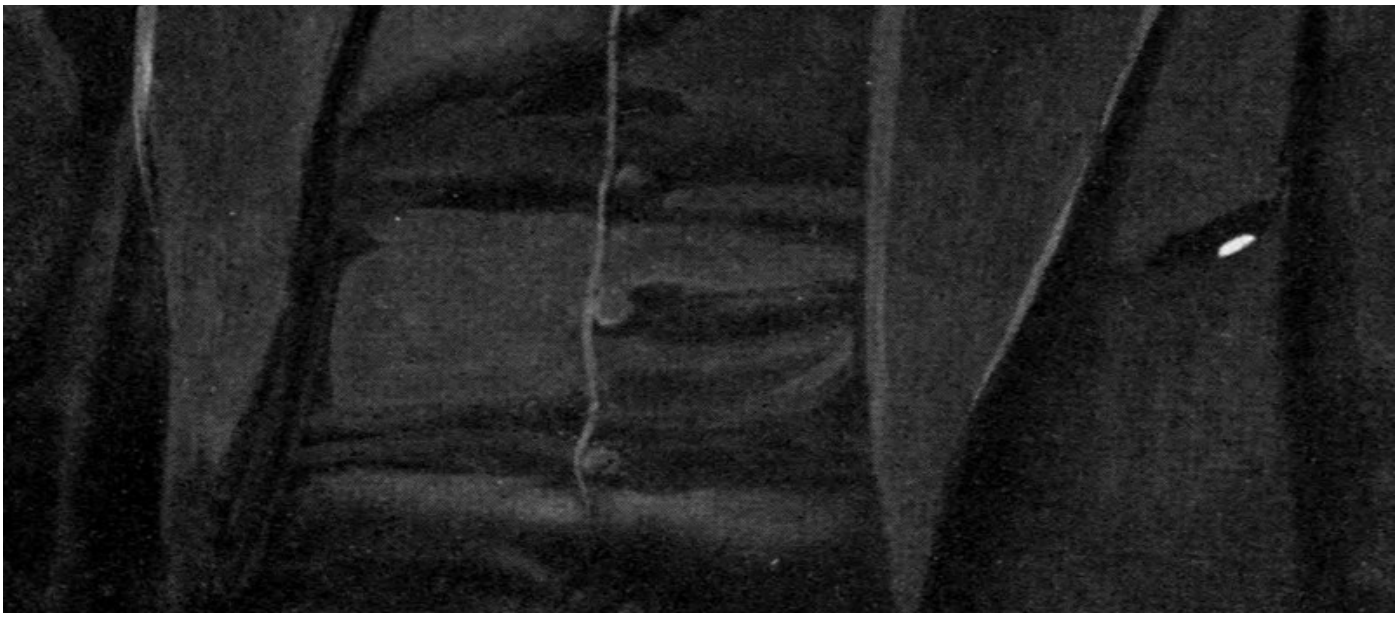
As all know, we have recently passed through a crisis of distrust in Wall Street—distrust of corporate credit, and railway and other corporate stocks. This was reflected in what I may call a slow panic, a heavy and prolonged decline on the Stock Exchange under a continuous flood of liquidation by both investors and speculators.

This crisis had been brewing for a long time, and we had a violent intimation of the dangerous and disturbing elements in the financial situation last spring, culminating in the collapse of the stock market in March. But it was not until a United States Court at Chicago inflicted a fine of $29,240,000 on the Standard Oil Company, of Indiana, that investors, and the large capitalists of Wall Street, including Standard Oilers, took alarm. Then the trouble became acute.

The Wall Street speculative multi-millionaires in particular felt the shoe pinch very sharply. They had been trying hard to engineer a bull movement in stocks, for they were very heavily loaded with them. They had, however, met with indifferent success, for the outside public was out of the market and refused to come in. This huge and unprecedented fine, these leaders of the bull movement saw, was a disconcerting and staggering blow at the property of corporations, and consequently at the stocks of corporations. It amounted, if enforced, to confiscation, and they, as large speculators, like the rich and moderately rich investing class, reasoned that if the Standard Oil Company of Indiana could be fined and have its property confiscated in this way, other corporations would be liable to the same fate. They also saw that small investors and people generally would think and argue as they themselves did, and that their consequent distrust would lead to a heavy decline in prices under heavy liquidation, through fear or necessity.

So they reversed their tactics. In other words, they decided to run, and, being a little lame, they started early. Instead of continuing their bull movement in stocks, they at once withdrew their support from the market and began to liquidate themselves, for self-protection. The rank and file of the bulls, seeing that stocks were going down with a rush from this and other sources, were quick to do likewise, as if they thought the devil would take the hindmost, while the bears helped the market's descent by an unopposed and vigorous hammering. The bull leaders had abandoned it to its fate, and the banking interests were not willing to stand in the gap.

The best and highest-priced stocks suffered the heaviest decline, and for a fortnight there was an outpouring of stocks and a downpouring of prices that finally carried nearly all of these below the lowest of March. Wall Street trembled in its boots.



ANTHONY N. BRADY.

The decline was accelerated by the unusual scarcity of money on time, and the advancing rates for it, which undermined confidence in the future of the money market, and in the ability of many corporations in urgent need of money to borrow on their collaterals, or obtain discounts. Fears on this score had very recently been justified by the failure of a large iron and construction company in New York City, and when it was followed by a receivership for the Pope Manufacturing Company, the rush to sell stocks, and the fresh break in prices, added to the previous demoralization. The bears held high carnival, for their harvest was abundant enough to realize their dreams of avarice.

It was feared that this failure might prove the beginning of a long line of similar failures, and there were many gloomy forebodings as to what would come next, either in the way of failures or State or Federal action against railway or industrial corporations, which would, by damaging their credit, lower the value of their stocks, and possibly imperil future dividends. We too often fear the things we think instead of the things that are.

Through all this turmoil and disorder the want of money by many large corporations and the difficulty of borrowing it was always an uppermost topic. It touched their weakest spot, and showed the insufficiency of their working capital. They had large assets in plant and materials, but comparatively little cash to carry on their large and increasing business. This made them dependent on the banks; and when the decline in stocks and bonds caused distrust that led to a curtailment or refusal of credits by the banks, they had nothing to fall back upon of their own. They were between the Devil and the deep sea.

This want of a sufficiency of liquid assets is a common shortcoming among our corporations, both large and small, and therefore a great element of weakness, especially in periods of distrust, and should be remedied as far as possible in the future. It is better to do less business on a safe basis than could be done by extensive borrowing, with the hazard of failure in some unlooked-for crisis or time of depression. The greed of gain should be tempered by the wise admonition to make haste slowly. But unfortunately most people are in a hurry, and want to make short cuts to success.

The August crisis, like all panics, was brought about and aggravated more by fears of impending trouble and false rumors than by actual occurrences. Sentiment often sways as much as facts, and the public had become extremely sensitive to unfavorable news and constructions regarding the situation, and comparatively blind and deaf to its favorable features. All this was ammunition for the bears on the Stock Exchange, and they made the most of it by steadily and relentlessly hammering stocks down, so increasing the depression caused by the liquidation of both speculators and investors, and the loss of confidence in values. But, like Oliver Twist, the bears still asked for more.

This want of confidence was mainly due to exaggerated apprehensions of the effect upon railway and industrial corporations and their stocks of the Government investigations and prosecutions, and the hasty action of the States against the railways in cutting down their rates. Much of this State legislation is too restrictive, and will probably be modified, or rescinded, after a trial.

It was argued that there was no telling where and when the so-called crusade against the railways and the Trusts would stop, or what the final result would be. The bears and the alarmists were equally loud and excited in pointing to the twenty-nine-million fine as a sign of what, in varying degrees and amounts, might happen to other corporations, and bring ruin to many of them. Thus a merely unsettling influence was magnified into a formidable element of national disaster. As prophets of disaster, the bears outdid each other, regardless of their friends, the bulls.

The threats and aggressive attitude of some of the Government's law officers alarmed many as much as their allegations against the corporations they prosecuted did, and they feared that irreparable harm to those corporations, and their business, would be done before their cases were finally decided on appeal, and that their stocks and bonds would suffer accordingly, with, it might be, interest and dividends suspended. Thus they borrowed a large amount of trouble.

With these feelings uppermost in the public mind, or at least influencing investors, it was not surprising that such a fever of distrust prevailed on every stock exchange in the United States, and that sympathetically and temporarily it somewhat affected the London Stock Exchange and every bourse on the European Continent. The situation had begun to look almost hopeless before reason began to take the place of hysteria among most

investors and speculators. Then the indiscriminate slaughter of stocks prompted investment buying, and the great scare, after two weeks of storm and stress, gradually passed into history, while prices, with occasional setbacks, responded to the change of sentiment by slow but general recovery. But whether this will be followed by a relapse or not remains to be seen.

The apprehension excited among investors and speculators in stocks by that $29,240,000 fine against the Standard Oil Company of Indiana did an immense amount of harm through the enormous losses to which it led. In combination with the prosecution of the Southern Railway by Southern States, involving the conflict between North Carolina and Alabama and the United States Courts, that extravagant fine, so suggestive of *opera bouffe*, was the immediate cause of the heavy liquidation that produced this August crisis and turned the New York stock market into a storm center. Although there was no probability or even possibility of this fine ever being collected from a million-dollar corporation, even if affirmed on appeal, public sentiment was about as much disturbed as if it were ultimately collectible. By creating, although without sufficient reason, fear of confiscation, it led to those enormous sales and sacrifices of stocks by investors, as well as by speculators, and the virtual panic that lasted those two long and memorable weeks.

The innocent thus suffered with the guilty, and the evil effect of such a fine was clearly demonstrated by a very severe and disastrous object lesson. The true remedy for rebating and other wilful violations of law is not to be found in the infliction of heavy penalties on the guilty corporations, but on the responsible and guilty officers of those corporations, and not alone by fine but by imprisonment. Heavy fines inflicted on corporations fall finally on their stockholders, through a corresponding loss of dividend-paying power, and the lowering of market prices for their stocks. The proper remedy is punishment behind iron bars.

As the stockholders are in no way responsible for delinquencies in management, it is unjust to make them suffer the consequences of these. It should, therefore, be the future policy of both the Federal Government and the States to punish corporations for illegal practices by criminal proceedings against those in their employ who are found to be responsible for them. Thus punishments will be confined to the guilty, and confidence will be restored among investors, for such prosecutions would in no way tend to depreciate the value of the stocks and bonds of the corporations concerned, but on the contrary they would tend to enhance their value by promoting honest management. This is a pivotal point to be kept constantly in view. Backsliders would be the only sufferers.

The collapse in Wall Street stocks was, however, not so much due to the trust prosecutions, the Southern States Railway legislation, the twenty-nine-million fine, and the avowed policy of President Roosevelt's administration, as to the general condition of monetary affairs, and the condition of the stock market itself, although the causes

enumerated started the August collapse. The outside public had for a long time been holding aloof from the stock market, owing both to the railway and industrial prosecutions, and hostile State legislation, and the great activity in trade, and in land, mining, and other speculation calling for a great deal of money. Speculation outside of Wall Street was never more rampant.

At the same time stocks were very largely concentrated in the hands of a few men of great wealth, who were anxious to sell them at improving prices, and they could only do this by making a market for them. They had in this endeavor a hard row to hoe, as the farmers say, for money was scarce and dear on time, not only here but all over the world, with the European market, like our own, overloaded with securities for sale, and, worse than all, with no demand for them from investors. They were in a tight place, rich as they were.

This condition of affairs was reflected in the gradual and persistent decline of British Consols, that had always been rated as the best and safest securities in the world, to 81, the lowest price at which they had sold since 1848—the year of the Smith O'Brien uprising in Ireland, when they touched 80. The depression in the other European stock markets was almost equally great, particularly in Berlin. We could, therefore, look for no market for our stocks, or our vast accumulations of new railway and other bonds, in Europe. The foreign markets were closed to us, and wanted nothing American but our gold. Our speculative capitalists loaded down with these unsalable securities were severely handicapped. From being giants, they had become cripples. Their wealth was tied up instead of being in the liquid form of poorer men who had their money in savings banks, withdrawable at any time. One New York City institution, the Bowery Savings Bank, held and still holds over a hundred million dollars of deposits.

Here was wealth in a liquid form that our large Wall Street capitalists, like most of the large corporations, sadly lacked, and they well might have envied their poorer brethren who owned these deposits. In proportion to their means, the poorer men were better off than the rich.

The fact is that our rich men undertook too much, both in the forming of syndicates to underwrite new bond issues and in attempting to control the stock market under adverse circumstances. They overestimated themselves very largely, or, in slang parlance, bit off more than they could chew, and when the shoe pinched most severely in March, and again in August last, they had to sell stocks at a heavy sacrifice to pay off the loans that were called in by the banks, or to meet the calls for more margin. For once they were really hard up.

This over-extension of Wall Street capitalists, with their efforts to unduly inflate prices, had its counterpart elsewhere, for such over-trading was by no means confined to them, but extended to, and was conspicuously shown by, railway and industrial corporations in their efforts to keep up with the increasing demands upon them

consequent on the country's great prosperity and natural growth. This over-extension was in the form of excessive expenditures and vast issues of bonds, stocks, and short-time notes. These far exceeded in aggregate amount the capacity of our own investors to absorb them. Hence, hundreds of millions of these are still being carried by the banking syndicates that underwrote them, and of course they at present show a very heavy aggregate loss. This kind of medicine is much disliked even by multi-millionaires.

Stimulated by the country's enormous prosperity during the last few years, we have gone ahead too fast in all kinds of new and costly construction work and improvements. We have, in fact, gone ahead regardless of expense; and railway and manufacturing corporations have stretched their credit, in too many instances, almost to the breaking point. Meanwhile the railways have been overtaxed with traffic and the manufactories overrun with orders for their product, and they still are so notwithstanding all the much discussed and confidently predicted falling off in trade.

Through over-taxing their capacity, their working capital, and their credit to keep up with it, the national prosperity has proved a two-edged sword to many corporations as well as individual firms, and the greed for excessive profits among them led to much of the corporate dishonesty, illegal acts and methods, and wholesale graft in high places which we have seen exposed. These excesses and irregularities are now being corrected.

No wonder that their exposure, from time to time, gave blow after blow to public confidence, and kept investors from buying stocks, and turned their attention and speculative enterprise in other directions, and into other channels. These exposures and violations of law naturally aroused severe public criticism and indignation, and called for investigation by the Federal Government. In this President Roosevelt took the lead for the purpose of correcting the mal-administration, the abuse of power, and the illegal practices that had been exposed.

It was far from his intention to disturb public confidence among the stockholders of the railway and other corporations that, through their officers, had been guilty of illegal and fraudulent acts, particularly rebating. His object was by extirpating abuses to secure honest and lawful methods of management, and so protect and benefit investors in bonds and stocks, and secure justice and equality for shippers of produce and merchandise of all kinds, with the same rates for all, small and great, rich and poor, without special privileges to any, great corporations being compelled to respect the law as well as small ones. The righting and correction of wrongs practised in violation of the Inter-State and anti-trust laws of Congress would have had no disturbing effect upon investors, and the public mind, if properly viewed; and it requires a stretch of imagination to hold Mr. Roosevelt even indirectly responsible for the twenty-nine-million fine, the immediate cause of the disturbance in Wall Street that followed it.

Under the general monetary and other conditions then existing, that fine proved to be the last straw that broke the camel's back, and, as is too often the case, the innocent stockholders were made to suffer with the guilty in the collapse of the stock market. The judge who frightened investors with visions of confiscation by inflicting that preposterous fine, must bear the responsibility of starting that downfall, not President Roosevelt.

August, 1907, was one of the most remarkable months in the history of Wall Street. After opening in profound gloom, with the stock market crumbling rapidly away under the rush of investors and speculators to sell, regardless of price, and with the bears and alarmists busily at work predicting widespread disaster, few expected during the twelve exciting and perilous days of the crisis that the month would close with the stock market gradually recovering, confidence somewhat restored, and many of both the bulls and the bears as unreasonably eager to buy as they before had been to sell, while the sentiment of the Street had changed from extreme depression and despondency to a cheerful and hopeful optimism. Incidentally the bulls were hanging the hides of some of the bears on the fence.

When the fall in prices was greatest, new low records were reached for many of even the best stocks, not only for the year but for several or many years, as in the case of New York Central, which sold at 99½, or lower than at any time since 1898. In those twelve eventful days investors might well shudder, for market values shrunk about three thousand millions of dollars, if we include all the stocks dealt in on the New York Stock Exchange measured by their lowest prices and total capitalization. But, of course, the actual losses sustained were comparatively small. Wall Street as soon forgets its sorrows as its joys, and looks ahead.

When at their lowest prices—and I give them as specimen bricks—Amalgamated Copper stock had depreciated 43 millions, Union Pacific 51 millions, Northern Pacific 36 millions, Great Northern 34 millions, New York Central 25 millions, Pennsylvania 28 millions, and Southern Pacific 21 millions, while in the Curb market Standard Oil stock suffered a shrinkage of 80 millions, and American Tobacco stock of 32 millions. That much of oil seemed to have been cast upon the waters, and that much of tobacco to have gone up in smoke.

The partial recovery in the stock market and the gradual return of confidence were coincident with and in the face of a rising market for cotton. There was an advance in middling cotton to 13½ cents a pound, the highest price on record for thirty-two years. Yet there was no dearth in the supply of cotton, and no sign of a "corner," or the possibility of one, and we carried over into the new crop year, which began on the 1st of September, a visible supply of 1,200,000 bales of American cotton, making a world's supply of 2,300,000 bales, or nearly 540,000 more than at the same time last

year. These statistics may be dry, like a certain brand of champagne, but they tell their story in a nutshell.

I dwell on cotton because cotton is still king in the South, although less powerful in its sway than before the war, owing to the South's development of its other resources and its more diversified financial and commercial interests. It is fortunate in not having all its eggs in one basket.

The recuperative power shown by Wall Street, after the crisis, was typical of that of the whole country. Speculative sentiment quickly passes from one extreme to the other. We are a great and progressive people and soon recover from disasters however formidable. We had a conspicuous illustration of this in the San Francisco catastrophe, to say nothing of the civil war. But a period of stability and comparative quiet would now be salutary. The recovery in the stock market, notwithstanding the severity of the recent strain, was mainly due to the sober second thought of the people, in conjunction with the announcement of the plan of the Secretary of the Treasury to ease the money market by making deposits weekly in the National banks of the large cities till the middle of October. This allayed anxiety as to the money market and it will, or may, have the desired effect in a large degree till the crop moving season is over, by preventing the undue locking up of money in the Sub-Treasuries at a time when it is most imperatively needed for business uses. The better feeling resulted, early in September, in the 40 millions of New York City 4½ per cent. bonds being bid for five times over, although at premiums averaging only a trifle more than 2 per cent.

The very severe decline in copper and the copper stocks, this month, has, however, caused some renewed and widespread disturbance, and the reduction of dividends by the Calumet and Hecla and Quincy copper companies will doubtless be followed by a general reduction of copper dividends. This is at present the worst feature of the general situation, as it indicates a largely reduced trade demand for copper, and foreshadows a curtailment of copper mining.

The Treasury plan is only a makeshift, however. The true remedy for this currency evil lies in the abolition of the independent Treasury and Sub-Treasury system, and the substitution in its place of now existing National bank depositaries. Congress should abolish it accordingly, and it probably will if the banks unite in demanding it, and so keep the currency in the banks, and in active circulation. The present antiquated system has been outgrown by the country, and is a reproach to our national intelligence as a great commercial people.

Simultaneously with the improvement in conditions here, and partly because of it, for example is contagious, there was a decided turn for the better in both sentiment and prices on the London Stock Exchange and the Berlin Bourse. Apprehensions which had been felt there of the trouble here extending, so as to more or less seriously involve Europe, subsided when it was seen that we had regained our composure, and were

going ahead as usual. The situation had indeed changed so much that it really looked as if nothing very disastrous had happened, despite the hysteria and the crash that followed the spectacular fine of that Napoleon of the bench, Judge Kenesaw Mountain Landis, a long name—or some of it—that will be remembered, especially by the Standard Oil Company, long after the fine has been set aside, or O.K.'d, by the United States Supreme Court. But it would be rash to assume that the trouble is all over. There are still many weak structures and disturbing causes that menace the situation. There is future danger in a too sudden recovery of confidence, and in under-estimating the danger we have passed through.

Meanwhile, because of what the Government has done to correct abuses in the management of the railways and the trusts, their stockholders will find that it has added to the security of their holdings of railway and other stocks, at the same time that it will prevent the acquisition of large fortunes, in dishonest ways, at their expense. The business situation will also be the safer and sounder and more conservative for it, and its general betterment will compensate for the suffering involved in the ordeal we have passed through. Often out of evil there cometh good.

All concerned in the ownership and management of corporations should willingly conform to the Federal laws now in force, and, if any of these should prove onerous, unjust, or defective, Congress can be called upon to amend them. They might as well make a virtue of necessity. The same course should be pursued with regard to railway rates, fixed by the respective States, until these, and their justice or injustice, have been passed upon by the Supreme Court of the United States. Through this compliance with law the popular craze against the railways and the Trusts will gradually subside, while the misconceptions and exaggerated views concerning Mr. Roosevelt's policy and its influence will die out in the clearer light of a better understanding.

Of one thing we may be sure, and that is that President Roosevelt will always stand firm in his policy of enforcing the laws against wrongdoing by corporations. We heard this from Secretary Taft in his strong endorsement of that policy, and we heard it re-affirmed in the President's Provincetown speech. But the penalties should always be inflicted on the individual officers responsible for violations of law, and these, to be effectual, should involve imprisonment, not fines against them or the corporations. That remedy is the only certain cure for the disease, if it again appears. By uniting in support of the President's policy, which simply means the enforcement of the Inter-State Commerce law and the Sherman Anti-Trust law, as amended, those in control of railways and industrial corporations will increase the value of their stocks, and raise their credit both at home and abroad, while inspiring the other officers, and the rank and file of their employees, with a higher sense of honor, and responsibility to the public, than was compatible with the old rebating and graft-seeking trickery.

A large part of Wall Street was in such a nervous state during the crisis that it jumped at shadows, and trembled at a touch. It shuddered when Attorney General Bonaparte facetiously said that there was a fine covey of game among the large capitalists in control of corporations, and that he would be a poor marksman who would not bring some of the birds down.

It found fresh cause for alarm in the fight between the Southern Railway and the Southern States, and when the railway had its license canceled by Alabama it had a fresh attack of "nerves," and, later, saw an ominous event in the surrender of the railway to the State, to recover its license. It feared the anti-corporation storm would wreck and devastate the business of the country. But after a storm there cometh a calm, and the nation, as a whole, is unscathed.

In considering the situation we must never fail to bear in mind that although investors, and holders of stocks and bonds, and many of the weaklings of the business world, have been made to suffer severely by the stern and uncompromising course of the Federal Government and some of the States—and that confidence was so undermined as to cause a temporary halt in enterprise—good results will follow. This ordeal has been at least a purifying one, and while the East has exaggerated its disturbing influence, the West and South have been comparatively indifferent to it. Those sections were never more prosperous and progressive than they are now. This arises from the fact that the East, being richer than the West, and having much more invested capital, especially in stocks and bonds, is correspondingly more interested in the market for these than the West, and more disturbed by great depression in Wall Street, and the causes producing it. The East is, therefore, much more likely to borrow trouble than the West or the South, especially when it cannot borrow money.

This borrowing of trouble took the usual form of fearing from day to day that worse consequences of the crisis awaited us than we had yet experienced, and it was increased among business men and corporations when they found their banks would no longer accept as collaterals for loans and discounts many of the securities they held for investment, and upon which they had been previously able to borrow in proportion to their market price. They found, too, they were generally unable even to borrow, on time, what they wanted, on the best of collaterals.

They were therefore cramped for money, and this restricted or embarrassed them in their business, and in a few instances caused their failure. Here we recognize the close connection that exists between trade and finance. The severe depression on the Stock Exchange so far impaired the market value of stocks and bonds as to make the banks and other money lenders everywhere distrustful of credits, the result being this inability to borrow, or at least to borrow all that was necessary. So it was not surprising that those with insufficient working capital were badly cramped, and had to curtail their business and make sacrifices, or go to the wall.

The curtailment from this cause among mercantile and manufacturing firms has been very extensive. It was better than going to the wall, however, and the after-effect upon the business situation has been salutary and wholesome. It has acted like a safety valve in checking over-trading, over-capitalizing, over-borrowing, over-stocking, and overdoing generally. It has slackened the pace at which too many scantily equipped concerns were going on the road to ruin. So it has made the business situation stronger and safer for the sound and solvent; and the elimination of a mushroom growth of irresponsible credit-seekers should be welcomed by the banks.

Wall Street is the great monetary clearing house of the country whose ramifications are co-extensive with the nation itself. It does not create values, but it reflects everything affecting securities and commodities, and represents all material interests. It is an unfailing barometer of values and the times. So those who say a heavy fall, or a panic, in stocks only affects Wall Street speculators shoot very wide of the mark. Wall Street radiates its influence over the whole country, and to a large and growing extent over the whole world, and it, or I should say New York, is destined, within no very long time, to become the financial center of the world. The recent severe financial disturbance in Wall Street, resulting in a reduction in the value of securities aggregating over $3,000,000, has proven one important thing, and that is that Wall Street and the industrial interests of the country have finally largely separated, and that a panic in Wall Street, while depressing, need not necessarily cause one at the same time in mercantile circles.

No doubt some of the Trusts and railway companies, accustomed to driving with a too free hand, and without much regard for the law, considered they were being handled very harshly by the law officers of the Government when they were brought up with a round turn and heavily fined for rebating. But, as they had violated the law wilfully, they had only themselves to blame, and they well knew that the way of the transgressor is hard—when convicted. There was some reason, however, in the complaint of some of the railways that in many of the States they had been made the targets of an aggressive popular policy towards corporations, that is, the policy of enforcing rigorously laws which might in some cases, such as the passenger and commodity rate laws by the States, finally be declared unconstitutional by the Supreme Court of the United States.

Our large railway and industrial corporations were primarily responsible for the disturbance and loss of confidence in the monetary situation through their recklessly extravagant issues of bonds, stocks, and short-term notes. For a long time they seemed to be doing their best to kill, in this way, the goose that laid the golden egg, and they finally succeeded in exhausting both their own borrowing power and the ability of the banks to lend, or of investors, at home or abroad, to purchase their issues. This tremendous output of new securities had to be checked, for it not only glutted the market,

and overloaded underwriting syndicates, but depreciated values and created distrust among investors. It was piling Pelion on Ossa with a vengeance.

The collapse of last March in the stock market, and the more prolonged one of August, were obviously outbreaks of the same malady, the latter intensified by that twenty-nine-million fine. The distrust that caused these explosions had been brewing for years, and had its origin in the wholesale issues that over-taxed the money market and the lending capacity of the country and also squeezed Europe like an orange for all the money it had to lend.

It was righteous retribution that overtook some, at least, of the wrongdoers among the larger corporations. Their chickens had come home to roost through their own unrestricted and extravagant exploitations and illegal and dishonest practices.

The wholesome remedy of their discontinuance, combined with proper curtailment and conservatism, has been forced upon them by the necessities of the situation; and the enforcement of the new laws has no doubt put a stop to at least the most flagrant of the corporate abuses before prevalent. But the too sudden application of the brake at a critical turn in the road may at any time work havoc; and it is doubtful whether rigorous prosecutions for violations of law in years gone by are not productive of more harm than good. They are always unsettling, and unsettlement involves a corresponding weakening of confidence.

But future offences should be prosecuted with the utmost rigor of the law, and the railway companies and industrial corporations now fully understand this; and not one of them would be likely to run the risk of again violating the law, especially with imprisonment for offenders as the penalty. We must, however, always be careful not to make the remedy worse than the disease. In other words, the interests of the country at large are of more importance than the punishment of corporate wrongdoers for long past offences. Some allowance must be made for the heat of competition in the strenuous years we have passed through, and the former general tendency to moral laxity of men controlling and representing corporations, when acting in their corporate capacity, a laxity they would probably not have been guilty of in their own personal affairs. This would, of course, indicate their want of a proper sense of responsibility and honor. But that failing is not uncommon. Now their eyes have been opened to the danger of being without it.

The apparent indifference of some of the principal prosecuting officers of the Government to investment interests, in the published interviews with them, was, however, complained of as of itself disturbing and disconcerting to investors. It may have indicated a supposition that only capitalists, speculators, and those of large means were affected by the decline in stocks and bonds. The erroneousness of this impression is shown by the stock transfer books of every large railway and industrial corporation, in which the small holders of small means are very numerous, running up to several or

many thousands in each corporation, and reaching a very large aggregate of shares. The small investors thus suffer by depreciation with the large ones, and even the people of small means with only savings bank deposits are, as we can all see, menaced through their dividends by the depreciation of the securities held for investment by the savings banks. Their depositors may learn a lesson in finance from this.

Those of the State of New York report for the half year ending on June 30, 1907, a new high aggregate for deposits and resources, the deposits being $1,394,296,034 and the resources $1,490,760,675. Yet their surplus, calculated on the market value of their holdings of stocks and bonds, had fallen from $108,671,735 on June 30, 1906, to $95,743,206. Here we have a shrinkage through the decline in prices of nearly thirteen millions or twelve per cent. of their surplus, in one year, although the savings banks are by law restricted in their investments to the most stable of first-class securities. If we go back to their reports of January 1, 1901, we find their surplus was $118,294,674, showing that the market for bonds has meanwhile been on a declining scale. Thus the savings banks and Wall Street are shown to be related.

In this August crisis there was far too much hysteria shown where calm judgment was called for, and this hysteria made the situation dangerous, although there was nothing dangerous in the actual condition of the country, apart from the distrust of credits and the scarcity of money on time, resulting from the immense activity of general business here and the monetary stringency abroad. A moderate slowing down of business is consequently the best remedy for this excess, and the one that will in the most direct and natural way generally restore ease to the money market. Meanwhile, the banks should assist within proper limits, when called upon, corporations and firms of proved earning capacity and known to be sound, and discriminate against those that have only an insecure or speculative foundation. This would accord with the teaching of the Bible, “To him that hath shall be given and from him that hath not shall be taken away even that which he hath.”

The popular feeling against very rich men, who have acquired their wealth through the trusts and railways, is not a prejudice against property, but against the supposed ways and means by which their large fortunes were acquired. The impression is, with many, that those means were dishonest, and that their rapacious grasping for riches involved corruption in corporate management, and, in general, a feathering of their own nests at the expense of the people, or at best other people. To see them flaunting what they consider their ill-gotten gains exasperates men, and spreads discontent and unrest among the millions. Envy and malice are easily cultivated.

It is an inequality of wealth that they resent because they believe it to have been created by rebating, stock watering, inside speculation, and tricks and devices by which other people’s money was got unjustly, and by various illegal and fraudulent practices and abuse of corporate power. The exposures made from time to time tended to confirm

the people in this impression and prejudice, and President Roosevelt was only responding to their call when he urged the prosecution of the corporations known to have been among the most flagrant violators of the anti-rebate law.

These violators were not the corporations, which we all know have no souls, but their officers; yet the officers have gone thus far unwhipped of justice, much to the disgust of the masses of the people. But in future this defect should be remedied, and rich and poor among the individual violators of the law should be prosecuted criminally, and upon conviction sent to jail like any other criminal. I can understand how many men, who as private individuals would have avoided criminal or wrongful acts, had no scruples about violating laws in their corporate capacity. This, however, is an indefensible plea. They showed a moral laxity which has been exposed and branded as a crime, and instead of it let us hope they have now a sense of corporate responsibility and honesty, as a result of these Government prosecutions, and the knowledge that in future such violations of law can hardly be repeated with impunity. They will certainly find that honesty is the best policy.

The cry against Mr. Roosevelt has been so indiscriminate that it would often be amusing but for its serious aspect. If a corporation, firm, or individual fails in business nowadays, Mr. Roosevelt is blamed. If a man makes a bad investment in anything, or if his creditors press him for payment, or his creditors are slow to pay or go into bankruptcy, he blames Mr. Roosevelt, while the vast host of large and small investors in stocks and bonds all over the country are almost of one mind in blaming Mr. Roosevelt for the depreciation in the market value of their stocks and bonds.

I should not be surprised if very soon even the ladies who have lost at the fashionable game of bridge will blame Mr. Roosevelt for their losses. Everyone, nowadays, dumps his misfortunes upon Roosevelt, and attributes the cause to him. I recently heard of a man who had been doing a thriving business on Long Island shore catching eels and selling them in the New York market. Lately the eels have stopped going into his pots to be caught, so he is now going about howling against Roosevelt for ruining his business. That is no more ridiculous than many other things for which he is blamed, without having had anything to do with them. In thus complaining they overlook the long train of causes and events that led up to this year's disturbances in Wall Street.

The public must have a scapegoat in times of excitement and discontent, and many of our wealthy people thoughtlessly held the President responsible for the disturbances and unsettlement we have witnessed, and their own losses and disappointments, because he had taken the initiative in calling upon the law officers of the Government to prosecute the railway and industrial corporations known to have violated the law. They seemed unaware that he did this to stop those illegal practices which had made enormous fortunes for the favored few, and enabled them to crush or impoverish their competitors and impose upon the people. He was the people's champion.

He did not advise these prosecutions without good cause, for in every instance where a case was tried on its merits the Government secured a conviction. Fines of large, but not enormous, amounts were levied accordingly against many of our principal railway companies, including the New York Central, and against large industrial corporations, including the Sugar Trust, for rebating and accepting rebates. But as the punishment was always by fining the corporations, and never by the imprisonment of the officers, who were the actual violators of the law, the masses of the people complained that while they themselves would have been sent to jail if guilty of criminal offences, these high and mighty railway and Trust officials were not, and that by fining the corporations only the innocent stockholders were made to suffer instead of the individual wrongdoers. Their complaint was just.

I trace the causes of this year's state of affairs as far back as the failure in London of Baring Bros. & Co., in 1890, for that unexpected event gave a shock to confidence, and curtailed credits all over the world. Indeed, the long career and prestige of that celebrated and honorable house gave it a credit in both hemispheres that was second only to that of the Bank of England, and its collapse wiped out of existence the immense amount of credit and the banking facilities that it had enjoyed so long. This involved a corresponding international contraction of the medium of exchange, and tightened the purse strings of the world, and it continued to do so long after the failure had passed into history.

The Boer war involved, in another way, great and prolonged depression in England. It drained her of an immense amount of money, and drained her also of a vast number of men whose labor was needed at home. To raise the sinews of war, she had to issue from time to time large amounts of consols, and these, being in excess of the power of investors to absorb them, steadily declined, and now—years after the war—they are still heavy. It naturally surprised the world when last August they reached 81, the lowest point in their long decline, and John Bull was sorely puzzled to define the cause.

The Russian-Japanese war was another very costly and depressing factor, and adversely affected international money markets because it involved immense borrowing by both Russia and Japan, and their bonds are still helping to glut the European markets, and to some extent our own, as many of the Japanese bonds are held here. At the same time France is particularly unfortunate in being burdened with a vast amount of Russian securities, far more than ever before, which leaves her correspondingly powerless to make other investments, or extend assistance, when needed, to other countries.

Then came our Pacific coast disaster, the earthquake and fire at San Francisco, which involved enormous losses there, and struck Wall Street and its speculative capitalists a tremendous blow, for the latter were about as heavily loaded with stocks at that time as before the March crash, and these had a severe break in consequence. It also involved English and German as well as American fire insurance companies in heavy losses.

The effect of this train of disastrous events, both here and in Europe, has been more or less cumulative, and their influence was so great and far reaching that it is still being felt, especially by our rich and speculative Wall Street men, with little of their wealth in the liquid form they would prefer, notwithstanding their heavy liquidation. They are still tied up with large amounts of stocks and bonds, bought long ago at higher prices, and for which there is but a limited market. As the same condition of affairs exists in Europe, they may find some comfort in that fact, for we are told misery loves company. They certainly have plenty of it.

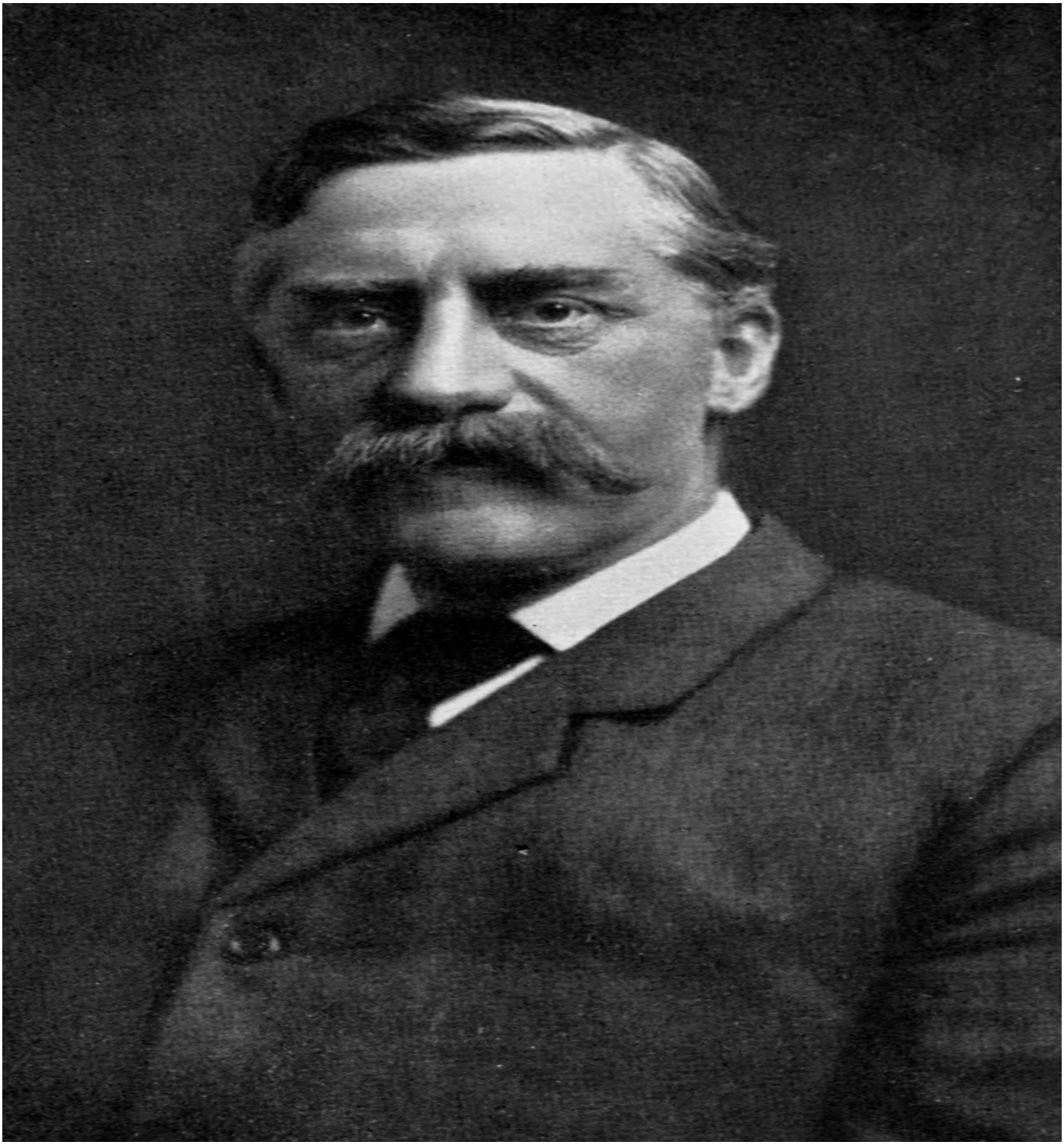
Fortunately the reports of the National and State banks all over the country show that they are in a sound and strong condition, the result of proper conservatism, and in protecting themselves they have protected their depositors and stockholders. So the banks have escaped being involved in serious losses through the crisis in the stock market, and are in a position, now that the depression, if not over, is at least no longer acute, to lend assistance in the recovery that sooner or later inevitably follows such a cyclone and excessive decline in prices as we have witnessed.

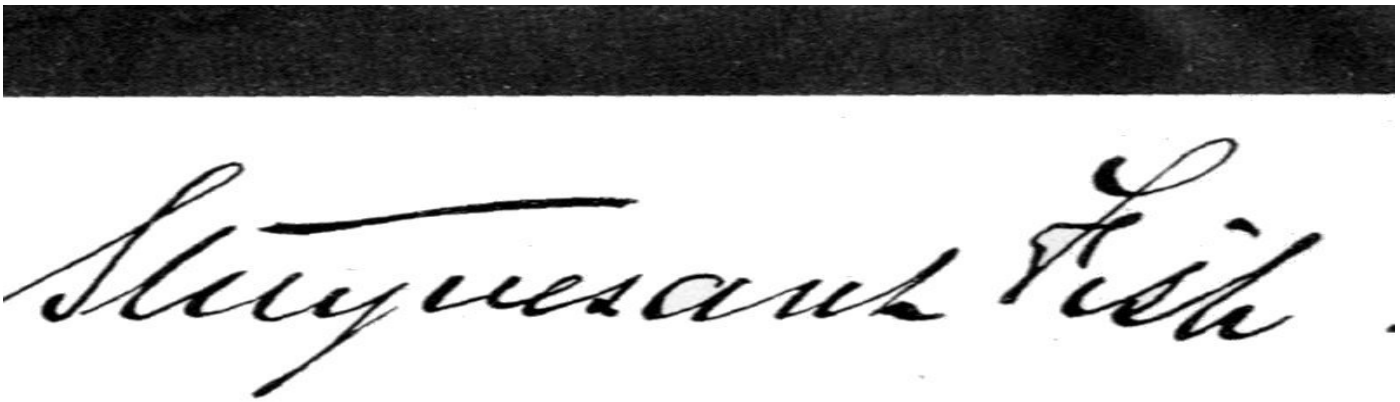
The banks, however, have in common with all other holders of stocks and bonds suffered loss by the depression in price of the securities owned by themselves, this being, as I have shown, particularly the case with the savings banks, and it may possibly, if not soon recovered, lead to a reduction of their dividends. If it should so eventuate, it would be an object lesson that would show the poor man that even his savings bank deposit was not beyond the depressing influence of a Wall Street crisis. But let us hope that there will be no such far-reaching result. The savings banks have, however, already deducted large amounts from the value of their holdings of securities on account of the past and present year's depreciation. Few of their depositors understand this, and where ignorance is bliss 'tis folly to be wise.

We are fortunate in being Americans and having so great a country under our sovereignty, for its vast geographical extent, its diversified interests and resources, and wide differences in climate make one section to a certain extent independent of another. Thus the South, the West, and the Northwest looked with complacency upon the Wall Street crisis as something confined to the East. There was no falling off in bank clearings, no lessening of the activity in trade South or West. The industrial and agricultural resources of the country were unaffected, and the outlook for the crops and trade is reassuring in all directions. Yet last month many feared the country was going to the dogs.

The last Government report indicates a decrease in the estimated crop of wheat, but with the invisible left-over supplies, it will fall little, if any, short of last year's crop, while the corn and other grain crops will largely exceed the demand for home consumption. The cotton crop, too, which the planters will soon begin to gather, promises to be almost equal to the last. Yet its price is much higher. The grain crops, by

reason of damage to the crops in Europe and elsewhere, and higher prices, are likely to yield more when marketed here and abroad than in recent years. Our exports of cotton, too, in the last fiscal year were valued at more than half a billion of dollars, while our exports of manufactures aggregated 750 millions. Our coal, iron, copper, gold, silver, and other mineral products will be larger in 1907 than in 1906, and our total industrial income will show no diminution. Yet in August many felt as blue as indigo about the situation.





Stuyvesant Fish

I say all this to show that the railways will have all the freight traffic they want, and the enforcement of existing laws relating to them will be more likely to increase than diminish their net earnings, for they will gain largely by the stoppage of rebating and other abuses. Some of our State and possibly some of our Federal laws may be too drastic, and, so far as their requirements are unreasonable, oppressive or unnecessary, they should, and doubtless will be, amended by Congress and the States, or set aside as unconstitutional by the courts, as in the case of Pennsylvania's two cents a mile rate, for an unjust or vexatious law is abhorrent to justice—justice so well typified by that blind goddess who holds the scales on such an even balance in the world of art. Corporations, as much as individuals, are entitled to a square deal, and a square deal for all is what President Roosevelt is working for.

As it is, most of the Western railways have, like the Southern lines, a double track traffic for a single track road, and there is abiding prosperity in this plethora of business. It is a sort of embarrassment of riches, for, notwithstanding the vast additions that all the railways have made to their rolling stock and motive power in recent years, and the enormous amounts spent in building branches and double tracking portions of their main lines, and increasing their terminal facilities, they are still unable expeditiously to cope with the present superabundance of traffic; and this will naturally increase with the growth of population. So the outlook for their stockholders is better than ever.

For his courageous course in unearthing and prosecuting the rebating evil and other wrongdoing, President Roosevelt is entitled to the highest praise; and I reiterate that the heads of railway and other large corporations will best serve their own and the country's interests by co-operating with him and his administration to secure strict compliance with the law in future, with the hope of clemency for their past violations of law.

That the railway companies always, as a matter of policy, are disposed to be conciliatory and not willing to be openly antagonistic to the enforcement of law, is beyond question. Like the American people, they are law-abiding. We saw an instance of this in the course of the Southern Railway and other Southern lines, in withdrawing their appeal from the State Court to the United States District Court in the rate case, and agreeing to charge only the State rates, namely, two and one-quarter cents a mile, in North Carolina, two and one-half cents in Alabama, and three cents in Virginia, till a decision on the constitutionality of the State rate laws is rendered by the United States Supreme Court. This concession was avowedly made to avoid further conflict with those States, although the companies were within their legal rights in the appeal they had taken. They were wise.

After the good work the Government has already done in exposing and punishing the rebate evil and other abuses, it would seem that the end in view—namely, their stoppage—has been substantially achieved. I therefore think you will agree with me that the Government can well afford to rest on its secured results and its laurels, and discontinue prosecutions for old offences, while holding all to the strictest accountability for violations of law in the future. The law-breaking corporations have been taught a lesson that they will never forget, and have suffered penalties that they will not be willing to incur again.

By the Government thus showing clemency towards the offenders they would all the more be put on their good behavior, and the clamor against Mr. Roosevelt, in which they have been the leaders, would gradually subside. Those who have been punished by the law are always very likely to have a bad opinion of it, and to retaliate by charging injustice. Hence the old English saying, "No rogue e'er felt the halter draw with good opinion of the law."

This reminds me that the two international congresses of socialists held in England and Germany in August, one at Cambridge and the other at Stuttgart, showed what large masses of the people there are laboring to overthrow the existing law and order of society by putting restrictions and fetters upon individual achievement, genius, and capacity for good work, and by giving the inferior masses all that they would allow the superior and educated to enjoy, a levelling process entirely inconsistent with Americanism, for it would destroy all incentive to great efforts, and reduce all to a uniformity inimical to progress. Some of the decline in British Consols is attributed to this socialist agitation in England, and notably in the House of Commons, several of its members being radical socialists; and the same is true of Germany and its Parliament.

In Berlin, which has been for some time the storm-center of Europe, socialism and its revolutionary doctrines, and especially the meetings and preachings of the rampant of the socialists, have added to the disturbance, distrust, and depression caused by the monetary situation. There, as here, over-expansion in all directions had over-taxed the

money market and glutted the Bourse, the banks, and the speculative capitalists with new issues of securities that were either unsalable, or salable only at a ruinous sacrifice, owing to the heavy shrinkage in prices, and the absence of demand at the low prices. This presents an almost parallel case to our own, except as to the effect of socialistic agitation.

We have too many blatant socialists here, but they are not planted in congenial soil, and their demagoguery and schemes for the destruction of society as it exists will yield no harvest, for in this great country, where all are free and blessed with equal opportunities, there is no reason, no just cause, or excuse for socialism. The agitation in favor of socialism and its doctrines is not American. It is antagonistic to American institutions, and comes almost entirely from those who have fled from oppression and despotism in Russia and elsewhere in the Old World to our shores, and who fail to see, as they should, that the conditions which have given rise to socialism in Europe are entirely different here. So socialism will never take root in the United States, however much it may be agitated by those of foreign birth who reciprocate our hospitality in giving them all the rights of citizenship that we possess ourselves, by advocating the downfall and destruction of our institutions and system of society, which has made this great nation of free and independent citizens what it is to-day, the wonder of the world.

The Bank of France has continuously felt, but resolutely fought against, depressing foreign influences by tenaciously holding on to its gold, and it attracted more of it recently from this country by paying interest in transit. Both London. and Berlin have long been trying hard to get gold from France, but without success. This determined policy, and refusal to finance anything that would take money out of the country, is intended to fortify the Bank of France and French investors against a possible crisis due to their colossal holdings of Russian bonds. France is the guardian and watch dog of monetary Europe.

While the situation in Germany is strained, that country is taking the lead in European manufacturing enterprises, and it is forcing its trade in all parts of the world. To its great expansion in industrial work, the locking up of capital there, in industrial enterprises of all sorts, is chiefly due. Tempted by great expectations capitalists have invested in them very heavily, and induced by high rates of interest the banks, and other large money lenders, have loaned enormously on industrial securities for which there is at present little or no demand from investors, and this conversion of their resources from a cash or liquid form to a form much more fixed than they expected, has very largely curtailed the supply of loanable funds to others, and caused or aggravated the long existing monetary stringency in Berlin. Yet, strange to say, Germany uses very few bank checks. The German Government, however, is about to consider a plan for regulating their issue and use. Even the Government salaries, aggregating $211,344,000, or 888 million marks, a year, are paid wholly in specie. Here we see 18 million dollars

a month withdrawn from circulation, to return slowly. This is almost as bad as our Sub-treasury system. No wonder Germany is pinched for money.

One indirect cause, hitherto overlooked, of the prolonged monetary stringency in Europe has been the absorption of gold by Egypt, India and China, and it has been sufficient to largely neutralize the effect of the increased gold product of South Africa, Australia, America and other countries. India has desired gold of late years, instead of silver exclusively, as before, owing to the depreciation in value of the white metal, and China has been secretly absorbing it for the same reason, and with an ultimate view to placing that nation on a gold basis.

Egypt, however, for several years has been largely buying gold with the proceeds of its large exports, which include a particularly fine quality of long staple cotton that commands a much higher price than ordinary cotton. This gold is extensively hoarded by the Egyptian capitalists instead of being placed in the banks there, and entering into the monetary circulation. The consequence is that it is lost sight of, and lost to the world outside, for Egypt is not only distrustful of banks, but imports very little in comparison with what it exports. So it is enabled to keep what it gets in gold. This seems to me an answer to the question, "What becomes of the new gold?"

The world's peace in the future is more likely to be disturbed on the Pacific Ocean side than on the Mediterranean. I predict that within the next few years all the great European nations will combine, in friendly relations, offensive and defensive, against the balance of the world, which means against China, Japan and India, that represent two-thirds of the world's population. If the United States wants to stand aloof and avoid being drawn in on one side or the other, the Philippines must be parted with. The contest of the European nations will be for commerce in the East, and the European powers, especially Russia and Germany, will do all they can to breed trouble between the United States and Japan and would be glad to have both nations crippled through a war. So long as we hang on to the Philippines we will have a war cloud hanging over us. England, owing to her alliance with Japan, is in a better position to take care of the Philippines than we are, and if we could make an honorable deal with England to exchange them for her South American possessions, it would be a good thing for us, as, when the Panama Canal is built, those islands will be of much more advantage to us than the Philippines, and by thus removing the bone of contention we would secure permanent peace. The Philippines will be a great source of expense to us without any possibility of obtaining corresponding advantages; therefore, why retain what will keep a sore spot open as long as we hold on? We are not a colonizing nation—we have territory enough of our own within our own border, while England, on account of her meagre dimensions, requires colonizing for self-existence.

I am inclined to think that it may turn out to have been a mistake for Commodore Perry to have opened the ports of Japan to the world—a caged lion being safer than one

let loose. It resulted in Japan building herself up as a power; then followed the war with China, which was instrumental in breaking down China's exclusive walled-in method of existence. So that now China is also opened to the world like Japan; her 350,000,000 of people will get themselves on a war protecting basis, which will naturally make an alliance with Japan a necessity, and such an alliance will after a while require the European combination as an offset; otherwise, sooner or later some of the European nations will be apt to meet the same fate as old Rome at the hands of the barbarians—simply wiped out of existence. China and Japan will fight for their self-preservation and commercial interests. The 300,000,000 in India will fight for release from Great Britain's rule, and backed by fanatical inspiration, under skilled leadership, will make a dangerous foe sometime. Hence India's natural desires will make her akin to China and Japan, arrayed against any foreign foe. So India, China and Japan and the rest of the Orient, when well disciplined and well equipped and led by Japanese generals, will require the combined European nations to hold them in check. The European nations have now had all the wars they want and they have gained through them their present forceful positions of independence, hence all future great wars will be to keep the 900,000,000 of people in Asia in subjection, and it will need all their combined power to do so.

I will now come nearer home and glance at the rising star of the South.

The continued material prosperity of the South is one of the best signs of the times, and it has given a legitimate forward impulse to the whole country. This section of the United States is in its natural resources more favored than any other, and presumably will ultimately become the richest. That indeed is its natural destiny under the industrial and agricultural development which will come from the growth of population, the consequent increase in the supply of labor and the progress of education. Here, indeed, you have a splendid prospect where distance lends enchantment to the view, and in aiding, encouraging and stimulating this development, on good business principles, none will be able to render better service than you Southern bankers. Already the South is progressing in actual agricultural and industrial wealth from year to year, and day to day, at a rate that would have seemed fabulous not very long ago; and the banker shares with the farmer this rapidly increasing prosperity, especially if cotton is selling at more than thirteen cents a pound, or even at ten cents. It is, therefore, to the banker's interest to co-operate with the farmer, for by so doing the benefit becomes mutual. You gentlemen, as Southern bankers, are favored by Providence in being where you have such a wide and splendid field for doing good to others on a safe and conservative basis, at the same time that you are building up the South, and doing good for yourselves in the time-honored business of banking.

While the South is increasing rapidly in actual and substantial wealth, it is a good sign that this wealth is not going into a few hands, but being widely distributed among

all grades of the population. The city, the town, the village, the factory and the farm give equal and abundant evidence that all are sharing this boon of material prosperity, resulting from their own industry and the Southern country's legitimate development. You have, figuratively speaking, only to tickle the soil with a hoe, and it smiles with a harvest.

The South produced last year crops and other raw products valued at two thousand millions of dollars, or four hundred and fifty millions more than all the United States, outside of the South produced in 1880; and last year also its manufactured products were valued at two thousand five hundred millions, or five times more than it manufactured in 1880. This is the right kind of expansion.

Last year, too, the increase in the assessed value of property in the South was eleven hundred millions, or three hundred and fifty millions more than the increase between 1890 and 1900. Contrast the increase of seven hundred and sixty millions in that ten-year period with the increase of over sixteen hundred millions in the last two years—1905 and 1906.

Such growth is as phenomenal as it is gratifying, not only to the people of the South but to the people of the whole United States, and it is not a forced but a natural growth. We see it most conspicuously in the development of its industries, for it has now two hundred and fifty millions invested in cotton mills, an amount exceeding the capital invested in cotton mills in all the United States in 1880. This alone is a grand exhibit.

The South also is making pig iron at the rate of three million five hundred thousand tons a year, more than all the rest of the country made in the year 1880, and the capacity of the South for iron and steel making is practically unlimited. Turning to bituminous coal, the South mined eighty-five million tons of it last year, and in the last fiscal year the foreign exports of all kinds from southern ports were valued at seven hundred and thirty-four millions against only about two hundred and fifty millions in 1881. The South may well be proud of all this productiveness.

So great is this material development and so great the consequent demand for transportation facilities, that every railway in the South may well need double tracking, while to keep pace with the South's present rate of progress, thousands of miles of new railways will have to be constructed every year for many years to come. The South should therefore continue to encourage capital no less than immigration, on a scale extensive enough to meet all its legitimate requirements. This is the work, Gentlemen and Bankers of the South, that lies before you.

Now I come to Kentucky; good old Kentucky—with which is linked the fame of Daniel Boone, and a Civil War record of which it may well be proud.

We in the North, of course, all know that Kentucky is famous for its beautiful women, its handsome men, its splendid race horses of the great blue grass region, and the

whiskey of which Colonel Watterson has told us so much and claims to be so fine a judge. His story of "Old Kentucky Bourbon" is a dream of eloquence.

But first of all to engage our attention are the women, whose beauty is only eclipsed by their charm of manner, their refinement and bright intelligence. They represent an aristocracy of the best blood of the American people, and I can testify to their fascinations, for I won, or rather surrendered to, one of the finest of Kentucky's daughters, after for a long time supposing that my surrender was impossible even to the fairest of the fair; and therefore I am glad to come to Kentucky and to enjoy the privilege of addressing so many of its stalwart sons as are gathered in this distinguished assembly of Kentucky bankers, on the general situation, after the financial storm we have passed through. I indeed almost feel, in the tender words of the popular song, that I have at length reached "My Old Kentucky Home."

As a border State, you are claimed by both the South and the North, and your hospitality makes visitors from every quarter believe that, no matter where they hail from, Kentucky knows no North, no South, no East, no West, in the welcome she extends to strangers, or friends, from every sister State. When, in after life, these visitors sing the old song, "There's no place like home," they will mentally add, "except Kentucky."

I thank God that to-day we all know the United States as a United Country now and forever, which during the present generation has grown, and is growing, more united, more liberal, in a broader sense, and each section more just and generous in seeking to solve the problem of granting equal rights to rich and poor alike.

In closing I desire to impress upon you that I shall always have in my heart a grateful appreciation of your kindness and courtesy in permitting me to meet and address you on this occasion.

At the close of this Address a motion was made that "Mr. Clews be tendered a vote of thanks by the members of the Convention for his very able, very interesting, and most instructive address."

The President of the Association—who presided—said, "Those in favor of the motion will please rise." He then declared the vote to be unanimous.

CHAPTER LXXIX.

TABLE SHOWING DATES OF ADMISSION OF THE MEMBERS OF THE

NEW YORK STOCK EXCHANGE.

According to the Directory Issued July 1, 1907.

Prior to May 3, 1869, the New York Stock Exchange was a body with a membership of 533. Of such original membership, there are now remaining 31, as appears by the following list, such list giving the date of their admission:

1844—Dec. 17—Wm. Alexander Smith.
1857—Nov. 20—J. H. Whitehouse.
1858—Mar. 6—L. D. Huntington.
1862—May 10—A. M. Cahoone.
1863—June 6—E. C. Benedict.
Aug. 10—J. H. Jacquelin.
Sept. 4—H. S. Camblos.
1864—June 27—Henry Clews.
July 6—E. S. Connor.
July 8—E. H. Bonner.
Dec. 12—H. S. Wilson.
Dec. 30—F. W. Gilley.
1865—Jan. 11—Joseph Walker.
Feb. 28—Jas. Weeks.
Dec. 2—R. Suydam Grant.
1866—Feb. 17—Donald Mackay.
Mar. 24—A. I. Ormsbee.
May 2—Francis L. Ames.
Sept. 7—D. Henry Smith.
Dec. 8—W. T. Colbron.
1867—June 15—G. J. Losea.
1868—Mar. 27—T. W. Thorne.
May 26—H. S. Germond.
June 8—Chas. Gregory.
July 24—Jas. D. Smith.
Dec. 28—C. H. Leland.
1869—Jan. 9—A. H. Combs.
Jan. 12—F. K. Sturgis.
Feb. 24—A. M. Judson.
Feb. 26—W. G. Read.
Mar. 18—W. E. Tillinghast.

On May 3, 1869, a separate body of brokers, known as the "Government Bond Department," was admitted, upon the payment of $1,000 each. This board has a membership, as admitted, of 173, and of such members there now remain 15, as appears by the following list:

W. L. Bull.
E. A. De Mauriac.
R. P. Lounsbery.
William Rasmus.
Jas. Seligman.
C. A. Buttrick.
Louis P. Henop.
J. R. Maxwell.
Salem T. Russell.
R. K. White.
Chas. S. Day.
Cyrus J. Lawrence.
Alfred Neilson.
Chas. M. Schott.
W. B. Wadsworth.

Between the 3d and 8th day of May, 1869, various members were elected, of whom one now remains, Mr. F. Nathan, who was admitted to membership on May 6, 1869.

On May 8, 1869, a consolidation was effected with an organization known as the "Open Board of Brokers," at that time facetiously referred to as the "Coal-holers," from the fact that they had held their meetings for a time in a basement in William Street.

This Open Board had a membership of 354, of whom there remain as members at the present time but 26, as appears by the following list:

L. D. Alexander.
S. L. Blood.
M. Burr, Jr.
W. B. Dickerman.
H. H. Hollister.
W. B. Lawrence.
J. E. Mastin.
W. B. Sancton.
J. M. Armory.
John S. Bussing.
L. G. Fisher.
W. H. Johnson.
A. Libaire.
P. H. Minis.
Oswin O'Brien.
S. M. Schaffer.
W. G. Wiley.
W. F. Bishop.
John V. Bouvier.
G. F. Cummings.
Albert T. Hatch.
A. Josephson.
W. B. Lockwood.
H. J. Morse.
E. L. Oppenheim.
A. H. Vernam.

Of members admitted during the balance of the year 1869, that is, from May 8th until the close, there remain at present 7, as appears by the following list, which gives the date of admission in each case:

S. W. Boocock, June 2d.
D. B. Van Emburg, June 19th.
M. C. Bouvier, June 25th.
John Bianchi, June 26th.
Jas. B. Wilson, Oct. 5th.
W. S. Gurnee, Nov. 30th.
Henry G. Campbell, Dec. 2d.

As the result of the admissions of the two bodies heretofore described, the membership of the Exchange rose to a total of 1,060, at which figure it stood until December, 1879, on which date, in order to raise funds for the construction of a new building, there were sold at auction forty additional memberships, which brought an average of about $15,000 each. Of these seats so purchased there now remain 9.

This brought the total membership to 1,100, at which figure it has ever since remained. It appears, therefore, that of members who joined the Exchange prior to the 1st of January, 1870, there at present remain 85, as follows:

Members of the original "New York Stock Exchange" now remaining	31
Members of the "Government Bond Department" who joined May 3, 1869	15
One member who joined the Exchange May 6, 1869	1
Members of the "Open Board of Brokers" who were admitted May 8, 1869	26
Present members who joined between May 9, 1869 and Jan. 1, 1870	7
	80

CHAPTER LXXX.

ENGLAND AND RUSSIA IN OUR CIVIL WAR AND THE WAR BETWEEN RUSSIA AND JAPAN.[7]

7. Written for the *North American Review*, June 1904 issue, by Henry Clews.

There has recently been much discussion relative to the attitude of England and Russia towards the United States during our Civil War. This was provoked by the war between Russia and Japan, which caused the partisans of Russia here to contend that Americans ought to sympathize with Russia in the contest. They argued that Americans should do this because Japan has an alliance by treaty with England, and English sentiment was a good deal against the United States in our struggle, or rather in favor of the South as against the North, whereas Russia was on our side, and made us, in 1863, as they erroneously claim, an offer of naval assistance in the event of intervention by England and France.

It is very easy to assert, as it has long been asserted and by many believed, that Russia, in 1863, offered the United States Government the use of her ships of war that then came to the port of New York, and that this prevented, or may have prevented, England and France from recognizing the independence of the Southern Confederacy. But we have yet to learn that there is any record of such an official overture by Russia, either at St. Petersburg or at Washington; and there certainly would be one in both countries if the assertion was a fact instead of being wholly mythical.

Would Lincoln or Seward have left the country in ignorance of such an affair, or of any suggestion in that direction, if it had been officially made? It is a myth that hardly calls for contradiction. Such matters between nations cannot be kept secret, and the lapse of forty years since 1863 without revealing anything concerning the alleged orders, goes to prove that there were none of the kind, and that there was nothing to reveal. The Russian ships came here in 1863, just as the Russian fleet with the Grand-Duke Alexis came to New York in 1871, merely on a cruise.

That sentiment in England during the war was largely pro-Southern among the wealthy mercantile and manufacturing class is not to be disputed. But this resulted from the interruption of the cotton supply by the war and the blockade of the Southern ports, and from the loss of the South as a customer for British manufactures, involving much depression and distress. The shoe pinched very severely. Liverpool and Manchester, in particular, were great sufferers by the war, and smarted under the extinction, for the time being, of their Southern cotton supply and connections, and they were against the North largely because it had choked off this trade.[8]

8. I except, of course, the great excitement and commotion created in England by the seizure of Mason and Slidell, on November 7th, 1861, by Captain Wilkes of the U.S.S. "San Jacinto," when the British Government demanded their release and an apology; but that was because we had violated the rights of a neutral vessel by taking them from the "Trent," flying a British flag. We released them on that ground, and so at once ended the trouble that had threatened war. This was a special case of our provoking.

But this sentiment, this irritation, due to business conditions growing out of the war, was merely personal, and in no way involved the British Government, or reflected its leanings, opinions, or future policy. Liverpool and Manchester were, not unnaturally, sentimentally against the North, because it was, under the necessities of war, preventing the South from shipping its produce to England or importing British goods. That feeling of irritability against the North would have disappeared at any time with the resumption of trade with the South; and it did disappear as soon as the war ended and the Southern ports were reopened to commerce.

England's American trade up to that time had been very much larger with the South than with the North, for cotton was much more truly "king" then than it is now; and, apart from grain and provisions, the export trade of the North was very small in comparison with its present great extent. Moreover, the wealth of the United States was small in proportion, and our social relations with England and the rest of Europe were not nearly as intimate and extensive as they have since become. We have learned to know each other much better in the interval.

We had not then begun to export beauty and fashion, largely in the shape of American heiresses, for the delight and enrichment of the aristocracy of the Old World, and we could boast of no such colossal individual fortunes as we can now.

When, however, the British Government did, on one occasion, consider the question of recognition of the South and intervention in the war, it was solely on the proposition of the French Emperor, Napoleon the Third, who wanted to break up our Union in order to promote his scheme for planting the Latin race in America, by establishing, under French protection, an empire in Mexico, with Maximilian on the throne. But his proposition was at once unanimously, emphatically and unconditionally rejected by the British Cabinet.

We have this on the highest official authority, that of Mr. Gladstone himself, who, in a letter to me dated May 30th, 1889, speaks thus positively on the subject:

26 James's Street, May 30, 1889.

Dear Sir:

Having expressed my interest in the portions of your work which I read on the day of its arrival, I think it would be less than ingenuous if I did not, after reading what relates to the Cabinet of Lord Palmerston, on page 56 and in the following chapter, make some reference to it.

Allow me to assure you that, so far as that Cabinet is concerned, you have been entirely misled in regard to matters of fact. As a member of it, and now nearly its sole surviving member, I can state that it never at any time dealt with the subject of recognizing the Southern States in your great civil war, excepting when it learned that proposition of the Emperor Napoleon Third, and declined to entertain that proposition without qualification, hesitation, delay, or dissent.

In the debate which took place on Mr. Roebuck's proposal for the negotiation, Lord Russell took no part, and could take none, as he was a member of the House of Lords. I spoke for the Cabinet.

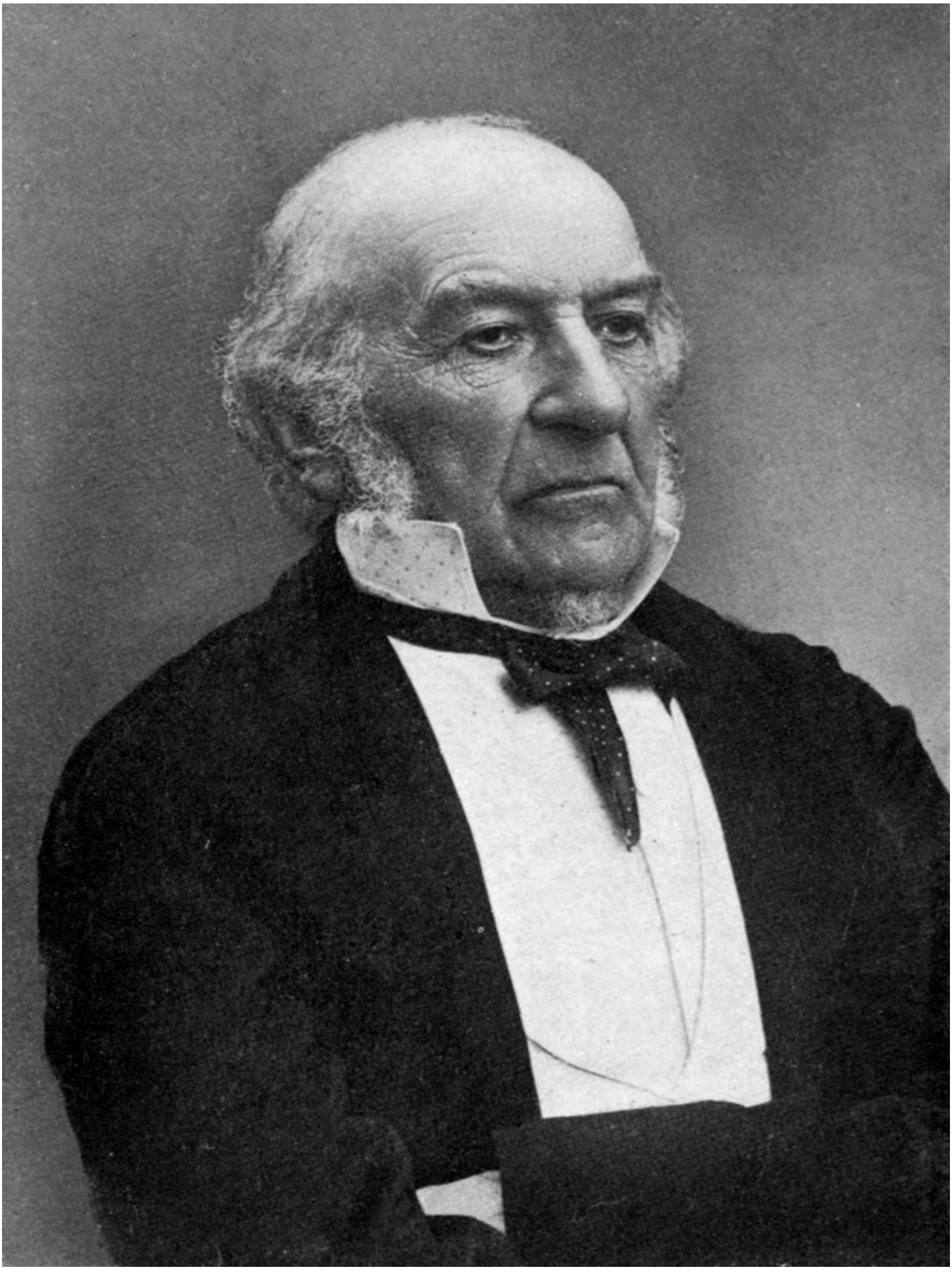
You will, I am sure, be glad to learn that there is no foundation for a charge which, had it been true, might have aided in keeping alive angry sentiments happily gone by. You are, of course, at liberty to publish this letter.

I remain, dear sir, your very faithful servant,

W. E. GLADSTONE.

Henry Clews, Esq.

In this letter it will be seen, Mr. Gladstone, the Grand Old Man, as England called him, a member of the British Cabinet during Lord Palmerston's administration, which extended from 1859 to 1865, more than covering the period of the war for the Union, assured me that the Cabinet never at any time dealt with the subject of recognizing the Southern States, except to decline to entertain the proposition of France, and this "without qualification, hesitation, delay, or dissent."



What could be more positive and emphatic than this? What more unequivocal, explicit and direct? It is an unqualified statement that the British Government had never during the war in any way considered the question of recognizing the Southern Confederacy, except on that one occasion, and England was the first nation to which the French proposal was made. Had England joined France when Napoleon made his proposition, which she was the first to reject, that conspirator against us would have tried hard to help the South to succeed in disrupting the Union, for the purpose of regaining possession of Louisiana, and capturing as much additional territory as possible in order to annex it to the empire he expected to found in Mexico. He wanted a weak neighbor. We were saved from his machinations, and this great danger, by the resolute course of the British Government; and Napoleon thereafter sowed the wind to reap the whirlwind in Mexico. He consigned poor Maximilian to disaster and an inglorious death, after his empire had fallen like a house of cards when the French troops, that had bolstered up his throne, were withdrawn.

This positive testimony from so high and competent an authority as Mr. Gladstone ought to be conclusive in effectually disproving the unfounded "cock and bull" story that England, at one time, contemplated the recognition of the Southern Confederacy, and that she was prevented from moving in that direction, and led to reverse her policy, and prevent the escape of the Confederate cruisers from Laird's shipyard at Birkenhead, by the arrival at New York of Russian war-ships.

The fact that a Russian squadron, commanded by Admiral S. Lessoffsky on his flagship "Alexander Nevsky," did come to New York late in September, 1863, and that its officers were very hospitably received and entertained, is the peg on which this story is made to hang. I have good reasons for saying the ships came here with no such object, nor with "sealed orders" to take an active part in the war, if required. New York was merely a port of call for them, and no doubt their officers were glad to get here and be fêted, as they were. They also, it is safe to assume, appreciated the courtesy of William H. Seward, the Secretary of State, who afterwards told me that, when he heard of their arrival in American waters, he invited them to accept the hospitalities of the port of New York. He, of course, foresaw that their coming here would, or at least might, have a good moral and political effect in our favor both at home and abroad, by depressing the South and encouraging the North, and causing any foreign Powers that might have been considering the advisability of recognizing the Southern Confederacy to postpone action under the impression that we had, or might have, Russia for an ally.

He was astute enough to see that this visit of the Russian squadron might seem to be what it was not, particularly to foreign eyes. Appearances, we all know, are often deceptive, yet they sometimes exert great influence. The visit of this squadron was a

case in point. It was a splendid “bluff,” at a very critical period in our history. Its coming was all the more desired by Mr. Seward because, on the 3d of February, 1863, he had received a despatch from the Emperor Napoleon offering to mediate between the United States and the Southern Confederacy, to which he replied three days later, absolutely rejecting the offer, in very positive terms. After that, early in July, the battle of Gettysburg had been fought, and Northern prospects had brightened very materially. Nevertheless, the coincidence of an arrival, about the same time as the Atlantic Squadron came, of more Russian war-ships at San Francisco, under the command of Admiral Popoff, added to Secretary Seward’s gratification; and, when the Russian officers of the Atlantic Squadron went on to Washington, he kept up the festivities to which they had been accustomed in New York by giving them a grand dinner. He was a fitting host, as he had originally invited them to come here.

H. James Jr
May 30. 89

Dear Sir

Having expressed my interest in the portions of your work which I read on the day of its arrival, I think it would be less than ingenuous if I did not, after reading what relates to the Cabinet of Lord Palmerston, in pp. 56 and in the following Chapter, make some reference to it.

Allow me to assure you that,

So far as that Cabinet is
concerned, you have been
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As a member of it, and now
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ern States in your great civil
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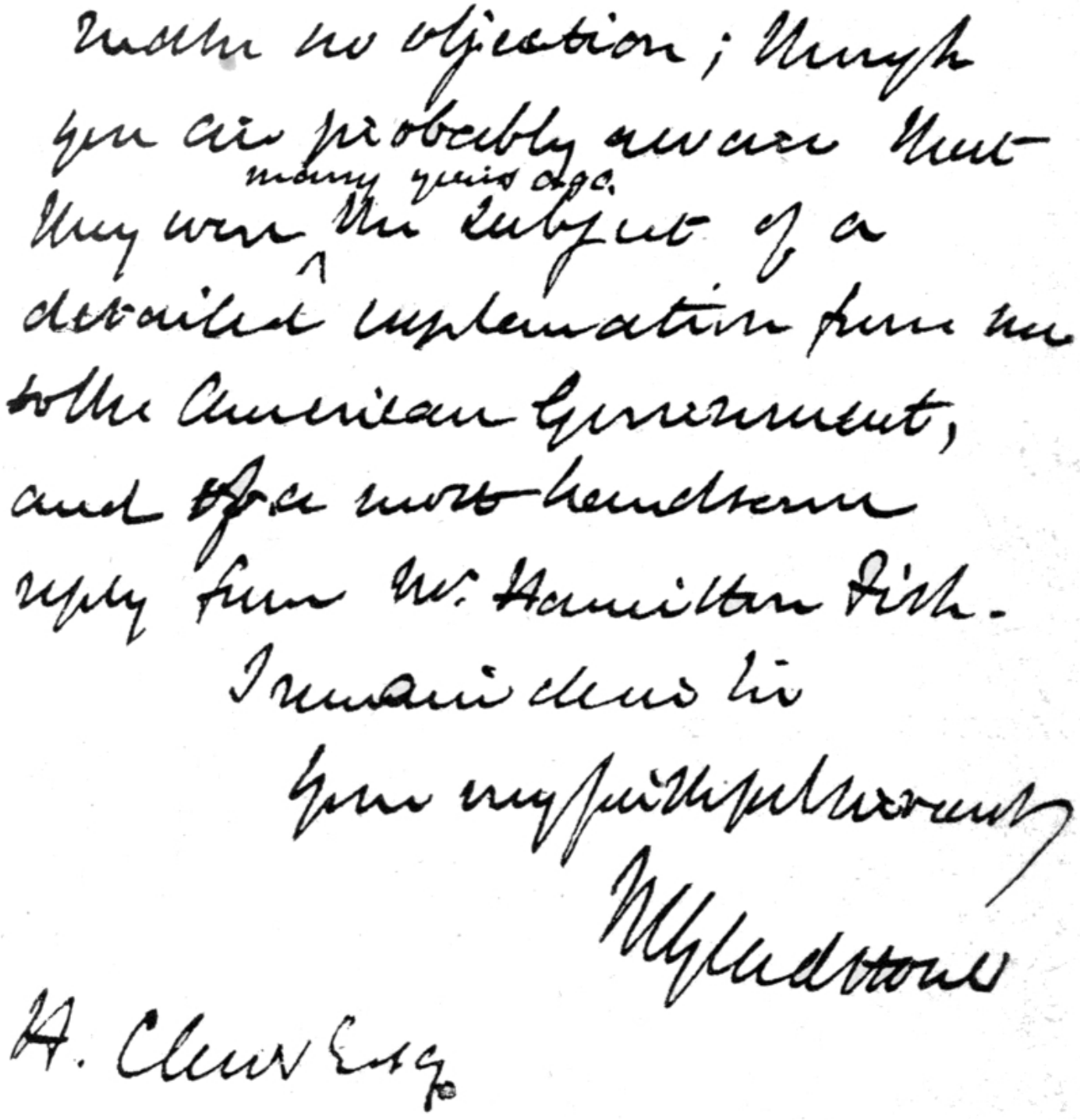
without qualification, hesitation,
delay, or dissent.

In the debate which took place on the Rochdale proposal for the recognition, Lord Russell took no part, and could take none as he was a member of the House of Lords. I spoke for the Cabinet —

You will I am sure be glad to learn that there is no foundation for a charge, which, had it been true, might have excited in keeping alive angry sentiments happily gone by.

You are of course at liberty to publish this letter.

In your reference in p. 30 as a result of impressions, which I was not entitled to use, I can


made no objection; though
you are probably aware that
many years ago.
they were the subject of a
detailed explanation from me
to the American Government,
and of a most handsome
reply from Mr. Hamilton Fish.
I remain dear Sir
Yours very faithfully
W. E. Gladstone
H. Clews Esq.

The Grand-Duke Alexis when he came to New York, with another Russian squadron, under another Admiral, in 1871, practically verified, in reply to my inquiries in conversation while I was acting as one of the Russian Reception Committee, what Secretary Seward had previously intimated to me—namely, that there was no foundation for the story that the Russian squadron of 1863 had come here to help us in warfare, if

needed. Mr. Seward told me this very definitely on one occasion when I met him at Washington. But that its officers enjoyed themselves here very much socially was evident from their profuse expression of thanks, and acknowledgment of obligations for the favors received, before they took their departure, and also from the fact that when they got back to Russia, they called in a body, with the Emperor's approval, on Mr. Cassius M. Clay, the American Minister at St. Petersburg, to return thanks more formally for the courtesies and kindness of which they had been the recipients here.

Now, it is clearly to be inferred that, if they had come here to serve us at a grave crisis, by offering to take part in our war, they would not have felt themselves under such obligations to us; on the contrary, we should have been under very great obligations to them, which would have called for public acknowledgment. Moreover, if the Russians had come on any such mission as naval co-operation in actual war, if needed, it would not only have been a matter of official record in both countries, but it would have immediately become known, not alone to the public here, but to the world. It would have been simply impossible to keep the news from the press; and the Government at Washington would have had no object; no good purpose to serve, in concealing such an alliance, for alliance it would have been of great international importance, and one which would have tended, still more than the activity of our own navy, to show Europe and the South the hopelessness of the South's struggle with the North. Russia was friendly to the United States, of course; but this friendship between the two countries was very different from an offer, or a willingness, to help us by armed intervention in our favor. Russia has never intimated that she had any such intention; and, indeed, such intervention on her part would have been folly, as her navy was then very small after the destruction of the Crimean War, and would have been powerless against England or France.

The conclusion is, therefore, that the sympathy with Russia in its present war with Japan, which many in the United States are endeavoring to stimulate on the strength of this Munchausen story of proffered war-ships, is based on a mere assumption. Just as in the case of one of Dickens's characters, "Mrs. Harris," there was "no such person," so in the case of this visit of Russian cruisers, there was no such offer of these by Russia to the United States, nor any evidence of any intention to offer them by Russia. On the contrary, Prince Gortchakoff, the Russian Minister of Foreign Affairs, repeatedly said to our Minister at St. Petersburg and in despatches to the Russian Minister at Washington, that Russia greatly favored peace, and wished for its speedy return; but would never take sides in the controversy between North and South.

Finally, as to England, we have the word of William Ewart Gladstone that the British Government was not unfriendly to us throughout our Civil War, inasmuch as it was absolutely and entirely opposed to the recognition of the Southern Confederacy, and instantly and effectually checkmated the French Emperor when he tried to make it

swerve from its consistent course of neutrality. Had the British Government been unfriendly, it would have jumped at this chance to join France in recognition and intervention. “By their fruits ye shall know them.”

There is no reason in what I have said, however, for an anti-Russian and pro-Japanese feeling in the United States, or an anti-American feeling in Russia; and it is much to be desired that friendly feeling towards each other should prevail in both countries, but not at the expense of truth. Even Japan, while fighting Russia, is showing good-will and generosity towards Russian officers and men, and treating them with uncommon courtesy and consideration.

My only object in thus writing is to present the matters referred to, involving the relations of the United States with England, France and Russia during our Civil War, in a true and proper light, and so to correct prevailing misapprehensions. Russia’s course in Manchuria, however, by which she tightened, instead of releasing, her grip upon it, as she promised to do, sufficiently accounts for our lack of sympathy with her in her war with Japan.

While professing friendship for the United States, she has acted in bad faith, and by her restrictions ruined our growing trade there; and all the specious arguments put forward by Russia through the Russian Ambassador at Washington will not make the American people believe that Russian success in this war would be an advantage to the United States.

Hence, American sympathies are not generally on the side of autocratic and grasping Russia, with its closed door, but with liberal Japan, and its open door. Moreover, it is to be hoped that Russia will find her so-called “special position” of exclusiveness and monopoly in Manchuria untenable, and be compelled to abandon it, to evacuate that country, and leave its trade open to all the world. Then the now idle and ruined factories, built there by Americans, could be turned to profitable account again.

Although our relations with Russia have always been friendly, past friendship does not justify present injustice. The retention of her foothold in Manchuria, which she was to have held only until the country was pacified, and her obvious and avowed designs upon Corea, evidently aim at the acquisition of their territory, and point to similar ultimate designs upon China and Japan.

Such being the case, we may well sympathize with Japan in her struggle with Russia. We owe nothing to Russia because some of her ships came to New York in 1863; but we are indebted to England for having peremptorily declined the proposition of France to recognize the Southern Confederacy.

Moreover, England is our natural ally, as we are allied to her by an affinity of race, language, religion and free institutions. As for “the Yellow Peril,” of which so much has been said, especially by the Russian Ambassador, as something to be feared by the

Western nations, it is purely imaginary and chimerical. There is no more danger of China and Japan, if successful in war at home, invading and overrunning the rest of the world at any time in the future, near or remote, than there is of the man in the moon coming down and invading us with an army of moonshiners.

August 11th, 1905.

EDITOR New York *Times*, New York City.

DEAR SIR: My attention has been called to an editorial in your issue of August 10th, entitled "That Gladstone Letter Again," the letter in question being the one received by me personally from Mr. Gladstone. The editorial by its wording seems to bring in question the authenticity and veracity of the statements contained therein.

The letter came to me voluntarily from Mr. Gladstone, as the result of an article written by me, and it should remove any doubt as to the position of the British Cabinet in connection with our Civil War. The utterances of some of the individual members of the Cabinet did doubtless favor the South during a part of our Civil War, but when Emperor Napoleon's proposition for intervention came up in the British Cabinet, the action taken was exactly as Mr. Gladstone states in his letter to me, and is borne out by Mr. Gladstone's speech in the House of Commons made soon afterwards, and it was largely due to his speech that Mr. Roebuck's motion on Napoleon's proposition was defeated.

There is an unwritten law in England that the deliberations of the British Cabinet shall never be revealed by any member except by consent of the Crown. Mr. Gladstone was known to be a great stickler for conventions, and his letter to me in which he expressly says I am at liberty to publish it could not have been written except by consent of Queen Victoria.

Very truly yours,

HENRY CLEWS.

CHAPTER LXXXI.

THE CRISIS OF 1907 AND ITS CAUSES. WAS PRESIDENT ROOSEVELT TO BLAME?[9]

9. An address to the Cleveland Chamber of Commerce, Cleveland, Ohio, Tuesday evening, January 28th, 1908, by Henry Clews.

It gives me great pleasure to meet the members of the Chamber of Commerce of the city of Cleveland.

Next to New York—being from New York I have to make this distinction—next to New York, I consider Cleveland the home of the most worthy set of business men in the United States. Your forefathers chose well when they elected to settle in this beautiful spot. The wisdom which they displayed is proven by the twenty miles of docks on your water front and by the fact that your people own the largest tonnage on the lakes.

The natural resources of your surroundings have made you masters of trade in coal, iron, and petroleum. Your harbors are commodious, and what they lacked in natural formation you have supplied by the famous breakwaters which have been built. Your city is not only a natural business center, but also a railroad center.

Your Euclid Avenue is spoken of in the East as a model to be copied by the lovers of beauty.

Fifty years ago Cleveland was a village. If you continue to thrive as you have, where will you be fifty years hence?

It was in the soil of Cleveland that the seed was planted that has grown and developed into the greatest business plant in the world. To-day the Standard Oil Company commands trade in every country on the face of the globe, and as a body are the greatest merchants that the world has ever known.

Ohio has robbed Virginia of the right to be known as “the mother of Presidents,” and I predict that the Republican Convention to be held this summer will present as its candidate your most famous and honored citizen, Hon. William H. Taft, who will be elected by an overwhelming majority. I suggest that he and Mr. Roosevelt change places

—Taft as President and Roosevelt as Secretary of War, or still better, Secretary of the Navy. Then we will be ever alertful and prepared for eventualities both on our Atlantic and Pacific coasts. In this way we will retain the services of both.

I will begin by saying that the elimination of the Godly Motto on our gold coin many people may think means-"In President Roosevelt we trust, but in God we distrust"; but I am sure the great mass of the Americans do not think that way. They believe in trusting both God and the President, and if the President will put back "God" on the American coin they will put him back in the White House after his present term—thus making our Motto: God first, our Country second, Theodore Roosevelt third (term). The Three together one and inseparable for the next four years.

It is my belief that there is not an intelligent man in the United States who sincerely questions the "honesty of Theodore Roosevelt's motives." Whatever he has done he has done to promote the public good and the nation's welfare, whether his speeches have helped to cause distrust or not. He is an honest man, and an honest man is said to be the noblest work of God. But, of course, as we cannot expect perfection even in honest men, they may sometimes make mistakes in their judgment of consequences, however good their intentions are. That we all allow for.

You ask the question: Is President Roosevelt's policy towards capital sound? In other words, has he, in denouncing and instigating the prosecution of law-breaking railway corporations, and industrial Trusts, menaced the prosperity of the country? I contend that he has not. He certainly had no intention to do so, for, while he was instrumental in turning on the light, he was not responsible for the abuses of power that the light revealed, and it is the revelation of graft and illegal methods, on the part of certain railway and other corporations, through the acts of their responsible managers, and controlling capitalists, that has undermined public confidence in many of them.

It is true that the marked change in conditions and public sentiment, especially in the stock market,—from the great optimism, buoyancy and high prices of last year to the great depression and low prices of this year of panics,—has caused many unthinking critics of the situation to ascribe it to the influence of President Roosevelt. The speculative capitalists and Trust magnates who have lost heavily by the depression in stocks have this impression of the effect of his policy and speeches in exposing corporate wrongdoing.

But it is an idea that needs to be controverted, or at least is open to question, and his course is generally approved by popular opinion all over the country. In other words the people generally are in favor of the policy represented by all that the President has done to correct corporate abuses and illegal methods and raise the standard of business morality.

Before entering further into the subject, however, I will say that gatherings of this kind, where the burning questions of the day are discussed in a frank and friendly way, are productive of good fellowship, and good results. Different minds view important events from different standpoints, and any association that meets for this purpose with a desire to obtain by mutual discussion, the fairest and best understanding relating to public measures, is doing a patriotic service, and is worthy of the highest commendation. It is particularly so at a time like this, in view of the prevailing depression and distrust.

It is very fortunate that a presidential election did not take place last year, as the people were in such a state of uncertainty and apprehension that many well-meaning men would not, I fear, have voted with a desire for their country's good, but be biased by personal interest or a determination to obtain revenge for what they have lost by the great and prolonged decline in the stock market and the disturbance of credits.

It is, of course, greatly to be deplored that some of the men high in command in the industrial and railroad companies have abused the trust reposed in them and made it imperative for the President to instruct the attorneys of the national government to investigate their doings, and prosecute those corporations and their officers charged with using their corporate powers to do illegal acts, like rebating, and such chicanery as that of the Chicago & Alton reorganization. The fact that, in nearly every such instance of Government prosecution, the guilt of the parties accused has been proved on their trial, justifies President Roosevelt in his action.

While capital may continue timid until the whole truth is known and confidence in corporate management restored, the agitation, will, in the end, prove beneficial to the country; for it will purify it by eliminating the unlawful evils complained of. This will inspire foreign capitalists as well as our own with confidence; and they will invest heavily in American securities, just as soon as they feel assured that the surplus earnings of our railway and industrial companies will be fairly divided among the stockholders under honest management, regulated by law, and subject to Federal and State supervision.

Recent events have shown that drastic action was necessary to insure a square deal for all. Mr. Roosevelt is not attacking capital, but he is attacking those in control of corporations who have misused their power and position to do illegal acts and presumably for their personal profit. Confidence received blow after blow from this source, before getting another rude shock through the exposures resulting from the Metropolitan Securities investigation, and the action of the New York Clearing House with regard to the Heinze and Morse banks.

It is now over two years since public disclosures of this kind as well as of railway rebating began, followed by the collapse of the copper manipulation and, very recently, by the scandals connected with the New York Traction situation. No wonder, therefore,

that confidence is seriously disturbed. And who is responsible? Not President Roosevelt and Mr. Hughes, the famous life insurance investigator, who have been instruments of exposure, but the individuals who conceived and conducted these unlawful operations. Of course the guilty protest against financial house cleaning; and they endeavor to ward off official investigations on the plea that these disturb confidence, and make the innocent suffer. But the whole responsibility should be placed where it belongs—upon the perpetrators of misdeeds, and not upon those who, in the discharge of the duties of their high office, have been the means of turning on the light and preventing future operations of the kind. Those who have trifled with the public interest, and displayed a blind disregard of the people's rights, are the real transgressors.

It becomes daily more evident that when all our railway and industrial corporations are known to be honestly managed, and when stockholders and investors get their due, values will be more stable, and American credit, which is now at a low ebb in all the great financial centers of the world, will be restored to its rightful place.

Throughout all these disclosures of illegal methods and wholesale graft there is one gleam of encouragement, and that is, that public opinion is aroused and will insist upon clean as well as capable corporate management in the future, and thus these disclosures will result in the raising of the moral standard of corporate management. Meanwhile, the public is disturbed by these revelations, and wonders what financial irregularity will be brought to light next. The action of many corporate managers has seemed to indicate that they think little of violating the laws, and that, if they are broken by one high in authority, or in social life, immunity must be granted; or some subordinate be made to suffer instead of themselves. If a poor man commits a crime, he is sent to jail. Sympathy for his family may sometimes make the judge lenient as to the time of his incarceration, but, however short the term, it generally brings sorrow and want to the family for which he is the sole provider. Thus, the innocent have to suffer with the guilty in such cases.

In corporate matters, if a manager or controlling capitalist breaks the law, justice should punish him, as it would anyone else. The law should be no respecter of persons.

Sodom and Gomorrah were destroyed because the people broke Nature's laws; and this government, although the best known to man, would be destroyed in the course of time, if the rich and unscrupulous were permitted to break the laws with impunity, while the poor were punished for much less serious offenses. This invidious distinction has caused those who have suffered by the corrupt and illegal practices of corporations and their managers to unload their grievances upon the President. In their communications they tell him that, while many from their ranks are being sent to prison, they fail to see any of the rich being sent there, although the evidence against them is unquestionable. This unjust distinction, if it continues, I repeat, cannot fail to have an unsettling effect

upon the American people, and may finally result in something more, as this is a government of the people, for the people and by the people, and a discrimination in favor of the wealthy—whether corporations or individuals—will not be very long permitted by the plain people, who are largely in the majority.

President Roosevelt took the oath at his inauguration to be guided by the Constitution, and as the Constitution requires that the Executive of the nation shall enforce the laws, he would have been derelict in his duty and unfaithful to his oath if he had not taken the action he has, to compel corporations to conform to the Interstate Commerce and Sherman Anti-Trust laws and their amendments. Whenever evidence has reached him, through the complaints of people who have suffered in consequence of the violation of these laws, he has very properly handed the material received over to the Attorney General to make the necessary investigation, and as in every case thus prosecuted the results have justified all he has done as to these, he deserves great credit. The so-called indiscriminate attacks that are claimed to have been made by him upon corporations and business interests have no sound basis. So far as his intentions go, he has only attacked dishonesty and law-breaking. While I fully approve of what Mr. Roosevelt has done in the way of reform, I confess I do not fully approve of his too oft repeated passionate utterances on the subject during the recent period of distrust. It undoubtedly has helped to unsettle the minds of timid investors and weak-minded depositors. The President has probably been a little too outspoken at a time when silence would have been golden. There are periods when the least said the better; still, I applaud his good intentions and his excellent deeds, which cannot fail to prove fruitful in the end. We should all be willing, therefore, to overlook his recent volubility and frequent reiterations.

A short time ago France stood ready to invest large sums in American bonds and stocks. But just after her first venture in Pennsylvania Railroad bonds our corporation scandals filled the air with their unpleasant odor and French capital was locked at once against everything American.

When all the old evils have been exposed, and wrongs righted, and foreign as well as home investors again seek investments for their funds in our securities, we may rest assured that, having undergone rigid investigation, they will be looked upon as the best in the world.

That President Roosevelt should be blamed in any way for the banking troubles, business failures and losses that have been made in the stock market is unfair; but it is always the case that the Executive in office bears the brunt of whatever disasters of the kind occur during his administration.

Those of us whose hair is no longer black, brown, sandy or red,—or very abundant, —can well remember the calumny and evil reports that were heaped upon the broad shoulders of the well beloved Abraham Lincoln. The noble cause he fought for cost millions of lives and billions of dollars, and of course there were very many who

suffered at that time by the war. Of these many were most bitter in their denunciation of President Lincoln, and this nearly broke the heart of that great man, but did not for a moment cause him to desist in the work he saw it was his duty to perform to the end. To-day, those who traduced him join freely with the whole nation in doing honor to his memory. President Roosevelt may be severe in the frankness with which he reiterates his intention to punish those who break the law; but, in the distant future, the world at large will remember him as one who dared to suffer under unjust denunciation for the sake of right, and even now the great mass of the people are with him in his efforts to improve and purify business conditions.

Those capitalists who have lost money largely by this year's decline in prices of stocks, and the monetary disturbance, are naturally bitter and resentful; but even the majority of such, down in their hearts, grant that in principle President Roosevelt is doing his plain duty, though in his speeches he may have said too much too often. If what he has done is wrong, it is the fault of the law, for he has urged no greater punishment than the enforcement of the law. But the man would be daring, indeed, in the face of the exposures already noted, who would presume to say that the law is unjust. It aims at equal justice for all, and we are a law abiding people.

In view of all the wrong doing in corporation management it must not, however, be forgotten that the majority of our corporations are ably and honestly managed in the interest of the stockholders. It is not surprising that black sheep have crept into some of them, for a certain percentage of people in every walk of life and every association, church or social club, are bad at heart, and show up in their true colors, when subjected to the temptation to commit wrongs which will tend to their personal advantage. The assumption that now prevails, that all corporation management is dishonest, is, therefore, unjust and has been causing much of the hysteria that has prevailed in Wall Street and elsewhere.

To protect minority stockholders, especially in the Interstate Railroads, they should have at least one representative in the board of directors, and he should be elected by the minority at each annual meeting. If such a director was a cool-headed, honest business man, certain abuses, which have been prevalent in the past, could not have occurred and would be prevented in the future.

It is much to be regretted that to aid personal schemes, some of the men in power, even in some of our large National Banks, have resorted to methods which have caused loss of confidence in them, which resulted in their retirement, practically under compulsion, as officers and directors. It is almost needless to say that, of all corporations, our National Banks should be the last to be used for illegal purposes, or to promote personal gain or speculations.

When a man in power imperils the solvency and good reputation of one of our banks, he is a public enemy, and as mean and guilty as one who attacks the virtue of a virtuous

woman. To destroy confidence in that woman and her good name is to do her an irreparable wrong. Destroy confidence in a bank and you destroy that which is one of the corner-stones of business prosperity. Those who invest in railroad stocks, or stocks of Industrial corporations, risk only the cost of their investment, but the holder of record of a National Bank stock is liable for an additional amount equal to the par value of his holdings.

Publicity is the greatest safeguard of the prosperity of any corporate enterprise, and the best preventive of irregularities and frauds. Many men will do in secret what they would fear and refuse to do under the public eye; and if hitherto secret ways are, in the future, made known, and seen of all men, there will be less breaking and unfaithfulness among many classes of business men in high places.

This doctrine of publicity I have preached for years, and it was the topic of an address I delivered before the Wharton School of Political Economy in the University of Pennsylvania eighteen months ago. I saw then what was going on in corporate corruption and grafting, and railroad rebating, but, of course, had no tangible evidence or legal proof of these misdoings.

During the intervening time, however, so much of this came to light that there was no alternative for the national government, as well as many of the states, but to take drastic action to stop these evils, and probe right and left to locate and convict those responsible for them. President Roosevelt led the way to this laudable end. He is not in favor of persecution, however; but he is in favor of the prosecution of those known to be guilty; and I firmly believe that his courageous stand in this movement to correct and punish corporate abuses will overshadow, in the history of his Presidency, all his other achievements.

Remember: he would punish only the guilty and protect property interests in every way possible, so that the innocent may not suffer with the guilty, or at least suffer as little as possible.

The lawyers engaged to defend wealthy corporate wrongdoers may sometimes prevent their conviction and punishment; but the people are entitled to the protection which comes from an equal administration of justice.

In these days the truth of the biblical saying, that “the wicked flourish like a green bay tree, but they shall be cut down,” has become evident to us in certain instances applicable to corporations.

Some ancient cities and empires, including the great Roman Empire, were ruined by the lawlessness and unscrupulousness of their rich men—the great oppressors of those days—and our America was fast falling too much under control of large corporations and corporation capitalists; but, the plain people of this country are for equality, equal rights, and fair play for all, and opposed to a plutocracy.

In his address at Memphis, this year, President Roosevelt said:

"I will no more stay my hand because a wrongdoer masquerades as a labor leader than if he masquerades as a captain of industry.

"I am against undesirable citizens when they are great capitalists who win a fortune by chicanery and when they are men who, under the guise of standing for labor, preach and encourage violence and murder."

To show that he recognized the sensitiveness of certain corporation capitalists who are cast into a frenzy by his most common sense remarks, he once said: "It has come to a point where my saying that honesty is the best policy is liable to lead to a run on the banks."

In discussing the cause of the present panicky contraction and disturbance in the business and financial world, nothing, however, could be further from the truth than to charge it all to the great corporation exposures and prosecutions.

There were many other things that contributed to bring about this year's depression and disturbance, and to cast over the brightest sky that ever shone the heavy clouds of distrust, reaction, and panic.

The clouds in the financial sky can remotely be attributed in a large measure to the effect of the tremendous railroad, industrial and commercial development of the last ten years, which brought about capital requirements in excess of the ability of the country to supply them.

Naturally and necessarily, this resulted in precautionary steps being taken by bankers and others to limit demands that capital could not supply.

This conservatism and consequent contraction of the overwhelming volume of business, will, it is believed, prove the strongest force in averting further trouble and disaster. I have for some time been urging the application of this brake, or safety valve, of conservatism, and it is really imperative.

In an effort to meet the demands of the enormous business offered them, the great railway and industrial corporations sought to enlarge their equipment at vast expense. In this they acted unwisely. They overtraded. To use a common saying, "they bit off more than they could chew." It was, perhaps, excusable, not very long ago, when confidence was in its zenith and credit superabundant, to attempt the financing of mammoth undertakings. But unexpectedly and like a bolt out of a clear sky, came the startling insurance and other exposures, and gradually timidity took the place of confidence. Then capital, which is always more timid than usual at such times, began to contract, and many railway and industrial corporations found themselves unable to borrow the large sums needed to meet their extraordinary expenditures.

The banks in many instances, having already over-extended credits, were unable to provide the necessary funds, and new securities, owing to excessive supplies and other causes, ceased to find the ready market that they had enjoyed for so long a period. Investors took wing. Curtailment, therefore, in every direction became a necessity, so President Roosevelt can no more be blamed for the existing depression and panicky disturbance than he can be credited with all the great prosperity that preceded the crisis.

That this reaction, culminating in a panic so severe, came just at the time it did, is largely if not wholly coincidental. It cannot be denied, however, that the startling disclosures of wholesale wrongdoing on the part of many of the great railway and industrial corporations disturbed the confidence of the public to the core and paved the way to it.

The indictment and prosecution of the rich and powerful corporations that had been violators of the law were but the necessary and legal consequences of their own guilty conduct.

Article II, Section 1, of the Constitution of the United States requires that before he enters on the execution of his office the President shall take the following oath: "I do solemnly swear that I will faithfully execute the office of the President of the United States, and will to the best of my ability preserve, protect and defend the Constitution of the United States."

Section 3 of the same Article of the Constitution, in enumerating the duties of the President, says: "That he shall take care that the laws shall be faithfully executed."

As at the time of his inauguration as President of the United States, Theodore Roosevelt solemnly swore that he would faithfully execute its laws, all of you, I know, will agree with me when I assert that he was bound to loyally and fearlessly keep that oath.

As an honest man, he has only tried to do his duty. He has attacked the law-breaking corporations, and those in control who have amassed large fortunes out of them dishonestly, and these only. Not to have prosecuted and to have let these corporations, and their officers, go on, unchecked and unpunished, would have been to violate his oath of office and to neglect the duty imposed upon him.

It would certainly make a farce of this great republic, and cast a stigma upon our integrity, if the laws of the land were not enforced against the rich and the poor alike! No such reflection as that upon our national honor will ever be tolerated by Theodore Roosevelt! He has been ready at all times to uphold the national honor. It has been well said that the honor of the nation is the soul of the nation.

President Roosevelt's resolute and unyielding stand for the rights of the people, against the powerful corporate wrongdoers who had thrived so long upon their secret

misdeeds, has commanded the attention and admiration of the world. His excess of earnestness and denunciation at times, we can forgive.

Victor Hugo, in speaking of one of the world's greatest "Immortals," truly said: "When a man is a glory in the face of his nation, that nation which does not perceive the fact astounds the human race around."

President Roosevelt has proved himself a successful crusader against successful corporate dishonesty, involving violations of law; and it is doubtful, as he says, whether his policies have had any material influence in bringing about the severe depression and banking crisis of this memorable year. But whether they have or not, he declares, with the courage of his convictions, that during the remainder of his term he will not swerve from these policies, but persevere in them unflinchingly. Yet all that his administration has done has been to unearth the wrongdoing. It is impossible to cut out a cancer without making the patient feel temporarily worse than before.

It is a mistake, or a slander, to say that Theodore Roosevelt has made war against capital. He is only opposed to dishonest corporate methods, and dishonestly acquired wealth. He respects the possessors of honorably acquired and honestly used fortunes, and would protect their property interests in every way possible, and guard them against injustice, and be resolute in defending their rights; for their success leads to the inference that they are good citizens. But he will assuredly stand against crimes of unscrupulous cunning in the management of railway, industrial or financial corporations as resolutely as he would against crimes of brutal violence, and equally punish the rich man and the poor man, for crime is crime whether committed by a plutocracy or capitalist, a poor wage earner, or a mob. These are his avowed principles and policies.

He would regard a man who builds a railway where it is needed, and operates it fairly and honestly, as a public benefactor; but if that man manipulated the stock and bonds of that railway so as to swindle the stockholders or bondholders, or the public, or gave rebates or otherwise favored one shipper over another, he would regard that man as an enemy of our institutions who should be punished for his wrongdoing. All this goes to answer the question: Is President Roosevelt's policy towards capital sound? I say that it is, when rightly understood!

Furthermore, the regulation of corporations by the Federal Government should be made absolute, and taken away from the States, where they do an Interstate business, like the railways and express companies. This would be better for the corporations, themselves, as well as the people than present conditions. They should be placed under National control, just as the National Banks are.

This central undivided control would do away with the confusion of Federal and State authority now existing. Moreover, I would favor the extension of this Federal control to all interstate corporations, and it will come in time. Meanwhile President

Roosevelt is paving the way for it, and to him let us give all honor for his long step in the right direction.

But, now that Mr. Roosevelt has substantially achieved his purpose, he can well afford to rest satisfied that his work will continue to bear good fruit without any further public addresses on the subject.

The people are already familiar with his views, and their continued reiteration by him in his speeches, especially during this period of financial and industrial distrust, depression and unsettlement, would tend to inspire fresh uneasiness as to the situation and the value of corporate stocks and bonds. It would do this, owing to the extreme nervousness and timidity of capital that prevails.

It is this abnormally sensitive and apprehensive condition of public feeling that led to the recent senseless run upon certain New York trust companies, and in a minor degree upon banks and savings banks, and that caused very many of the depositors, after withdrawing their money, to hoard it in safe deposit vaults, and various less safe receptacles, instead of depositing it in other institutions.

Their hoarding it, naturally made conditions all the worse, through very seriously increasing the stringency of the money market. So great became the scarcity of loanable funds that from the 23d to the 31st of October, call loans were made daily on the New York Stock Exchange at rates averaging 50 per cent per annum, with some ranging from 75 to 100 per cent. Such hoarding, on a large scale, is fraught with great danger, as it involves a sudden contraction of the circulation and drain upon bank reserves. In this instance it caused renewed panic and fresh breaks in stocks, and it alone compelled the New York Bank Clearing House members to vote unanimously to issue Clearing House Certificates—nothing else would have offset the run on deposit institutions.

It would be very far from President Roosevelt's wish to say or do anything that would cause people to hoard money instead of employing it in customary channels; for hoarding is a public injury and contrary to good citizenship. Furthermore, it is entirely un-American. But the public mind has been wrought up to such a pitch of distrust and semi-hysteria, through the disclosures of corporate dishonesty, and other disturbing causes, that a false, or at least exaggerated, impression exists among many that all corporations are, or may be, in the same boat. This want of confidence in the situation is very largely what has caused the heavy and prolonged liquidation in stocks, and led to the bank and trust company runs and great monetary and industrial disturbance we have witnessed in this great and far-reaching crisis.

Mr. Roosevelt will, therefore, see, now that he is becoming more and more cognizant of the situation, that what the public, and particularly the investing class, needs in this period of stress and storm and anxiety, is to be calmed and reassured and made aware that there is a silver lining to the cloud, and no good reason for their loss of confidence;

for the country is still as great and grand, and prolific in its resources, as ever, with its future no less promising and magnificent than it was before this crisis darkened the sky.

It is known that he takes this view of the situation, and is earnestly co-operating with the Secretary of the Treasury to ease the money market and restore confidence.

CHAPTER LXXXII.

OUR GREAT AMERICAN PANICS FROM FIRST TO LAST.

The panic of 1907 naturally revived public interest in all our previous panics, and therefore a brief historical review of these is timely. The small one that followed the throwing overboard of the historic tea in Boston harbor in George the Third's time, and which was the prelude to the War of Independence—the victorious struggle of the old Thirteen Colonies to throw off the British yoke—was of no importance, owing to the country's scanty trade and banking development, and the corresponding scarcity of credits. It was a tempest in a teapot, this sequel to the Boston tea party.

The panic of 1812 was the first of much magnitude in the history of the United States, and it resulted from over-trading and undue expansion in all directions, but was precipitated by our war with England in that year. The banking capital of the country was then only seventy millions of dollars, yet more than ninety banks failed in the run upon their deposits that ensued, and the Government found great difficulty in raising a war loan. Meanwhile, trade and manufactures, which had been very active and prosperous before the declaration of war, suddenly became almost paralyzed.

The change from undue inflation to the undue contraction born of fear was disastrous in its wholesale destruction of market values and credits. But the Government war expenditures, after it had succeeded in disposing of its securities, gradually stimulated recovery from the worst effects of the panic, and industries that had been suspended were resumed, thus re-employing labor that had been left idle.

Not much has been recorded of the panic of 1823, which caused trade depression till 1825, so it was evidently much milder and less disastrous than that of 1812. It was another instance of the reaction that follows over-trading and an over-extension of credits, without any war or other great event to precipitate it.

The panic of 1837 was, however, much more serious and disastrous, because it involved far greater results owing to the growth of the United States in extent,

population, and wealth in the interval. like its predecessor, and indeed all other panics, it was due to the over-extension of trade, speculation and credits, but it was precipitated by the troubles of the United States Bank, and President Jackson's hostility to that institution.

Speculation had been running wild, particularly in land and new railway projects, which were then in their infancy in England. The achievements of George Stephenson, the builder of the first locomotive engine there, had quickly kindled the fire of railway enterprise in this country, and promoters busied themselves in raising capital for building and equipping railways here; and incidentally it gave a strong impulse to the widely prevailing speculation in land.

The panic of 1857 was, of course, infinitely greater in its extent and consequences than that of 1837, owing to the same causes that made the latter greater than that of 1812, namely, the growth of the territory, population, and wealth of the United States. Its main cause can be traced to the enormous increase of speculative enterprise in this country, especially in railway building, following the great gold discoveries of 1849 in California. But its immediate cause was the general alarm produced by the failure of the Ohio Life and Trust Company, which had its principal agency in Wall Street.

There, at the corner of Nassau Street, it had long been regarded as a pillar of financial strength, and no institution in the United States stood in higher credit or commanded greater confidence, although without any good reason. When it suspended payment, the news came upon the public with the suddenness of a thunderbolt from a clear sky. The unexpected shock filled the financial and mercantile community with dismay, and from one end of the country to the other credit was destroyed.

This, indeed, was panic. Bank-notes were everywhere distrusted, and presented for redemption; whereupon the banks everywhere suspended specie payment, except that the Chemical Bank of New York redeemed its own notes. Business depression and thousands of failures from Maine to California followed, and nearly three fourths of the railways, and other large corporations, defaulted in their interest and other payments, and went into the hands of receivers. The depression grew deeper from month to month for more than a year after the panic, and some of the best railway stocks declined to $3 to $5 a share, including Michigan Southern and Harlem. Meanwhile corporate foreclosure sales and reorganizations told the story of the financial wreckage of the time.

The country had not long recovered from the effects of this great panic when, on the 4th of March, 1861, Lincoln was inaugurated President, and the Civil War broke out. There was severe depression—a war crisis—then, but it was so slow, insidious, and prolonged that it was never called a panic. It may be said to have commenced—in anticipation of the threatened war of the South against the North—with Lincoln's

election in November, 1860, and to have continued till the Government began to issue the paper money of the war era in 1861, after the suspension of specie payments.

One feature of the panic of 1857, and the prolonged depression that followed it, duplicated the experience of 1837, and that was the almost universal prevalence of what were called "shinplasters." These were practically I O Us given as change by anyone who had received a bank-note or check for more than the amount due him in payment for anything. In New York the notes of solvent New York banks were never refused in payment, while those of banks elsewhere were tabooed; but in making change, no specie was given, the banks having suspended specie payments. So, unless the exact amount was tendered, shinplasters were given for the balance.

The city was flooded with these personal evidences of debt for small amounts, issued by storekeepers, hotels, restaurants, saloons, barbers, and the rest of mankind, and many of these were passed from hand to hand till they became too dirty and dilapidated to be handled. They were the worst kind of filthy lucre, and understood to be only redeemable on a return to cash payments by the banks. But of course many of them never were redeemed. They ranged in amount from one cent to several dollars, and this sort of scrip was more or less extensively issued from Maine to Texas.

The Black Friday Gold Panic was a Wall Street convulsion, and not far reaching, like the others. It occurred on Friday, September 24, 1869, and was the result of a conspiracy, headed by Jay Gould, to corner gold, and force the "shorts" and importers to buy at a high premium. The Tenth National Bank, in Nassau Street, which he, and those associated with him, managed to control, became conspicuously involved in the corner through over-certifying their checks to the amount of about $7,500,000 on that day, and, as a result, it was closed by the Government bank examiner. Several scandals cropped out in connection with this conspiracy to corner gold, one of which involved the resignation of the New York Assistant Treasurer, and another two brokerage firms employed by the gold cornerers to buy and receive their gold. Gold, after being bid up by the conspirators day by day from 119½ to 162¼, broke thirty per cent on the announcement that the Government would sell five millions of gold. This was followed by the suspension of the Gold Clearing House Bank, and the Stock Exchange was also closed to check the panic in stocks that ensued. While not a commercial panic, Black Friday was very disastrous to many in Wall Street.

Next came the tremendous panic of 1873, which, commencing in Wall Street, on September 13, with the failure of several prominent banking and brokerage firms, including Howes & Macy, Kenyon Cox & Co. (in which Daniel Drew was a special partner), Fisk & Hatch, and then Jay Cooke & Co., rapidly spread, and soon covered the entire country. Many other failures followed these from day to day, and crowds of sightseers besieged Wall Street from morning till night, while the Stock Exchange was closed, and remained closed for ten days to prevent the sacrifice of stocks.

The severity of the distress that prevailed may be inferred from the fact that on the 19th of September twenty-two Stock Exchange firms suspended payment. Rumors of bank and trust company troubles flew thick and fast, and there was a heavy run on their deposits, while the Union Trust Company was temporarily forced to close in order to raise money on its assets to meet the run upon it. Several banks were known to be unable to stand the general run any longer, when, on the evening of September 20th, the New York Clearing House resolved to issue $10,000,000 of Clearing House loan certificates, in accordance with the resolution adopted to meet the crisis of 1860-61. It was on the same date that the Stock Exchange was closed by its governing committee.

On the 24th of September an additional issue of $10,000,000 of certificates was authorized, and on the 27th, so great and widespread had the panic become that all restrictions upon their issue were removed. The banks, instead of paying checks in cash, except for small sums, to depositors, certified them, payable through the Clearing House, and the weekly bank statement of the Association was suspended on September 27th, and not resumed till December 28th. The amount of Clearing House loan certificates attained its maximum—$22,400,000—on October 20th. In the interval business was resumed on the New York Stock Exchange on September 30th, after its ten days of suspension. While it remained closed there was a curb market on Broad Street for stocks and bonds, but sales for cash there could only be made at panic prices. The crisis of 1873 was far more severe than that of 1907, and recovery from it was very slow. The panic of 1884 extended far beyond Wall Street, but was most severely felt there.

There was a stock market panic in 1890, due to the failure of Baring Bros. & Co., in London, and heavy gold exports from this side to allay the panic there, but it did not spread much beyond Wall Street, and was soon over. The panic of 1893 was, however, severe and extensive, and 15,000 failures were attributed to it throughout the country. As usual, it resulted from undue speculation and expansion in trade, stocks, and new enterprises. But it was more immediately caused by the agitation of the 16-to-1 silver heresy, which led to a run on the gold in the United States Treasury till the amount of free gold held by it, at all points, was less than twenty millions, while the amount in the Sub-Treasury in New York was reduced to only about $8,700,000. It was then, in February, 1893, that President Cleveland made his famous gold purchase for United States bonds from the Morgan-Belmont syndicate, namely 3,500,000 ounces of gold for $62,312,500 of four per cent bonds. This, aided by the syndicate's efforts, stopped gold exports and replenished the supply of gold in the Treasury, and so restored confidence. Therefore the run ceased; and after that the largely increased customs duties gradually swelled the gold belonging to the Government to a far larger amount than it had ever held before.

Coming down to the panic of 1907, we are confronted by its causes. These were cumulative, but, as in every preceding crisis, the main cause was far too large a mass of credits—that is, of debts—for the amount of cash in which they were redeemable. Trade and speculation had been long so active, and too often recklessly expanded, that this disproportion had become dangerous, and a menace to our safety, as I pointed out several times months before the crisis actually came. I said that a serious reaction, a serious revulsion, was inevitable unless we moderated our pace and mended our ways in the matters that I have elsewhere referred to and criticised.

From my knowledge of banking, and my personal experience of our previous panics, dating from that of 1857, I could foresee that this vast and growing disproportion between the volume of credits and cash would finally lead to collapse. This disproportion is always large, and always becomes larger in periods of activity in trade and speculation. But in this country, and particularly among our speculative Wall Street millionaires and promoters, it had become unwieldy, while, very largely, liquid capital had been converted into fixed forms that were unavailable in raising cash.

Yet the people generally did not see the danger and take alarm till, on October 21, the New York Clearing House was notified by the Bank of Commerce that it would not clear for the Knickerbocker Trust Company after the following day; and simultaneously the Clearing House made an examination of the Mercantile National Bank, and ordered all its officers and directors to resign at once, preparatory to assisting it.

Then the public suddenly took fright, and the run upon the deposits of the Knickerbocker Trust Company caused it to close its doors about two hours after it had opened them the next day. This added fuel to the fire of distrust, and the run on the Trust Company of America and its Colonial Branch, and also on the Lincoln Trust Company, began; and six banks and a trust company suspended in Brooklyn, and the Hamilton Bank in Harlem, on the day following.

At the same time there was a heavy withdrawal of deposits from all the banks and trust companies, and the money thus withdrawn was not deposited in other institutions, but hoarded. Hence the severe monetary stringency that ensued, which caused call loans on the Stock Exchange to command as much as forty to fifty per cent per annum at one time, and from fifteen to twenty-five till the end of the year.

The New York Clearing House saw the urgent need of promptly fortifying the banks in the Association against the drain on their deposits, and, on October 26, resolved to issue Clearing House certificates against such satisfactory assets as they might deposit, these certificates to be used by them instead of cash, in paying their daily balances at the Clearing House. This gave immediate relief to the banks, and was the signal for every other bank clearing house in the large cities to do likewise, besides which many of the country banks issued checks of their own, from one dollar up, in payment of checks against deposits.

The other principal features and details of the crisis I have given elsewhere. But it must not be overlooked that, severe as it was in its actual effects, it was very largely sentimental in the sense that it was precipitated by fear—fear born of distrust. That is the immediate cause of all panics, but without the superinducing causes this fear would not exist. In our case it was the very seriously impaired credit situation, arising from a multiplicity of contributory causes, which inspired the fear that caused the runs on the banks and trust companies, and the hoarding of the money withdrawn, as well as the withholding of other money which, in the absence of distrust, would have been deposited. To fill the vacuum caused by hoarding, we outdid all our previous efforts by importing about a hundred millions of gold.

This hoarding, and consequent stringency, apart from the issue, in all, of $81,000,000 of Clearing House loan certificates, was responsible for the premium on currency, which at one time was quoted at four to five per cent, for it practically forced the banks to a partial suspension of payments involved in requiring checks to be made payable through the Clearing House, except in cases where they were willing to accommodate depositors with small amounts of currency. But fortunately the premium, which had dwindled to ¼ @ ⅜ on the 31st of December, disappeared at the beginning of 1908. Meanwhile, all through the crisis, large employers of labor had found great difficulty, and incurred much expense, in obtaining currency enough to pay wages; and in Pittsburg and other labor-employing centers, wages were paid largely in scrip issued by the banks or employing corporations. This scrip was so generally issued that in Pittsburg all the street car lines accepted it for fares.

No wonder that these conditions seriously checked buying of all kinds, and caused demoralization and semi-paralysis in industrial corporations, and that hundreds of thousands of operatives were thrown out of employment by the stoppage or curtailment of work in mills and other manufacturing establishments. But the storm being over, and the money market again easy, there is every prospect of gradual, if not rapid, recovery to a normal standard of prosperity in our trade and manufacturing industries. It was not till January 11, 1908, that the Clearing House reported the deficit in the bank reserves wiped out, and a surplus of $6,084,050 accumulated against a deficit of $11,509,550 on January 3d, and at one time of $81,000,000.

It should not be thought, because we imported a hundred millions of gold from Europe to relieve the monetary stress produced by the crisis, that we thereby placed this country under obligations to any other country. The gold we imported we bought and paid for from our own resources, equivalent to cash, in the shape of exports of cotton, grain, petroleum, copper, and other American produce.

These commodities were even more necessary to Europe than the gold we purchased there was to us. So the transactions on both sides were mere matters of bargain and sale, no favor being shown on either side. Indeed, both England and France did all they

could to restrict our importations of gold. The extraordinary advance of the Bank of England rate to seven per cent, and its retention there till we discontinued our purchases of gold, furnished practical proof of this. This was justifiable, of course, as a defensive and protective measure for the bank, but none the less it was an obstacle placed in our path.

Its proclaimed purpose was to prevent our taking gold from Europe as much as possible, yet in the face of this heavy handicap we bought and paid for and imported all the gold we wanted, and it was not till after we had stopped buying that the Bank of England lowered its rate to six per cent. This showed that we controlled the Bank of England more than the Bank of England controlled us. We were not assisted; we assisted ourselves, and neither asked nor received favors.

This important fact testified to the strength and wide sweep of our resources, both financial and commercial, and also to the solidity and soundness of our business position, and the foundation on which it rested. The firmness, too, with which we bore the enormous strain of the crisis, and the good order and condition in which we emerged from it, were equally eloquent in testifying to the same effect, and showing that ours is indeed a great country—the greatest of all nations in its material resources and acquired wealth.

The advantage of this is largely shared by us with the rest of the world, both in our enormous foreign trade and the vast amount of money spent every year by American tourists in Europe. If the hundred and fifty millions of dollars spent by them there in 1907 had been kept at home, it might have obviated the necessity of our importing gold to relieve the crisis. Europe has good reason to return thanks for all it gets from us; and what would the trade and commerce of Europe be, in this progressive age, without the United States of America?

The strength, the resolution, and the courage with which the country, as a whole, bore the brunt of the crisis of 1907 augurs well for a rapid recovery from its effects, and paves the way to renewed prosperity and progress; and there is every probability that it will recuperate more swiftly from the great and trying ordeal than it did from the memorable panics of 1812, 1837, 1857, 1873, 1884, and 1893, for its wealth, population, and general resources are now so vastly greater than they were at any of those periods that comparisons are out of the question.

The growth of our banking system alone since 1873 is indicated by the fact that in the very severe panic of that year the New York Clearing House issued only $16,000,000 of Clearing House certificates to the banks belonging to it, whereas in the panic of 1884 it issued $21,000,000, in the panic of 1893 $41,000,000, and in this last panic of 1907 no less than $81,000,000. The crisis was severe but it was purifying, and eliminated a vast amount of unwholesome and dangerous, if not dishonest, speculative elements from the management of many of our banks and large railway and industrial corporations, and

left in its place the legacy of a higher standard of business morality than we had before. Hence, perhaps we may say, with Shakespeare, all's well that ends well, and, with the Bible, out of evil cometh good. At least we have plucked the flower Safety from the nettle Danger.

This view of our country, and the situation, is shared by the banking community of the Old World, who also absolve President Roosevelt from blame or responsibility for the crisis. In this connection a leading London banker, Mr. H. H. Raphael, a member of Parliament and one of the most influential and popular financial men in Great Britain, said, in December:

"We regard President Roosevelt as not only one of the most courageous, but one of the ablest of all your long line of distinguished Presidents. We admire him for his courage and independence. No wonder the heart of the American people is with him; he is giving you a good housecleaning, and you well need it; and although you are passing through financial storm and stress now, we know something of the wonderful recuperative power of the United States, and it will not be long before America will be forging ahead on the highway of economical progress, cleaner and stronger than ever."

This opinion is well worth quoting because of its evident sincerity. There is no suspicion of politics or office-seeking about the allusion to President Roosevelt, and if one man more than any other in this great country of ours deserves the resounding applause of a national "Hip! Hip! Hurrah!" for his public services, it is President Roosevelt.

CHAPTER LXXXIII.

WALL STREET AS IT REALLY IS. A VINDICATION.

Many people, and some newspapers, have a false impression that Wall Street is a gambling arena that does a great deal of harm and no good, and that it ought to be, as far as possible, abolished, while Wall Street speculators have been recklessly and unjustly denounced as gamblers.

But those who know Wall Street well have no such impressions of it, or its speculators, or of the Wall Street community of bankers and brokers. They can, on the contrary, testify that there is no more honorable and responsible body of men in the world than its bankers and the members of the New York Stock Exchange, and that nowhere is honesty, integrity, and good faith more resolutely exacted than on that Exchange, as its constitution, by-laws, and rules clearly show; and nowhere is a black sheep, when discovered, more quickly and severely punished than there. The penalties involve expulsion from membership, or suspension for any length of time the Governors may think proper for violations of its rules, and they are rigorously enforced in all cases. The same remarks, I am glad to say, apply substantially to the stock exchanges in Boston, Philadelphia, Baltimore, and other cities.

During the crisis of 1907, and the exposures of corporate irregularities that preceded it, no members of the Stock Exchange were implicated in the wrongdoing that surprised and shocked the public. The men in control of the life insurance companies that were examined and held up to scorn, for their misuse and misappropriation of other people's money, were not members of the Stock Exchange, nor were they Wall Street men.

The men who wrecked the Metropolitan Street Railway System were not members of the Stock Exchange, nor were those apostles of unsound banking, the speculative bank promoters who gained control of the three chains of New York City banks to promote their own speculative purposes, and inadvertently paved the way to the panic; nor was a member of the Stock Exchange responsible for the failure of the Knickerbocker Trust Company, or at all involved in that leading event of the panic; nor was a member of the

Stock Exchange responsible for any bank, trust company, or corporation failure, or run that occurred anywhere during the crisis, or at any time in the panic year.

Of course there may possibly be undiscovered black sheep in Wall Street as well as elsewhere, for we find them in church pews, and occasionally even in church pulpits; but we should not heap wholesale condemnation upon either Wall Street or the churches on that account.

To call the buying and selling of stocks or bonds, on the Stock Exchange, gambling, is a misnomer, a misuse of the word, due either to ignorance of the transactions there, or malice. It is so whether the purchases or sales are by investors or speculators, for speculation on the Stock Exchange is not gambling. Whether stocks, or bonds, are bought, or sold, by investors or speculators is immaterial between the contracting brokers on the floor of the Exchange. They know no difference whatever. Delivery of the stocks or bonds is made by the one, and received by the other, in every case, and payments made accordingly, at the sale and purchase prices, investment and speculative transactions being treated exactly alike.

A sale and purchase is the work of a moment in the Board Rooms, and no voucher is exchanged to prove it till comparisons are made at the brokers' offices, usually after the Exchange closes. But no contract thus made in an instant of time is ever repudiated, no matter how heavy a loss it may involve to buyer or seller, for the penalty of such a repudiation would be immediate suspension from the Stock Exchange, followed by expulsion when proved.

Members of the Stock Exchange are not only men of assured solvency and respectability but of good social position, and generally of large means and more than ordinary education and culture. Most of them, too, belong to our best clubs. Any conduct of theirs that was considered prejudicial to the interests of the Exchange would render them amenable to discipline, and be promptly investigated by the Governing Committee, whose duty it is to inflict the prescribed penalties, in such cases, without fear or favor. The fact that a membership has a market value varying from $50,000 to $90,000 is a certain guarantee of solvency and fair dealing under ordinary circumstances. A Stock Exchange membership thus carries with it a large property qualification, and its owner is a substantial citizen, who is, as we know, often one of "the Four Hundred," or to be seen in our best society, and whose wealth, in many instances, amounts to millions. Preliminary to admission also he has to submit to a searching examination by the Committee on Admissions.

Recent attacks upon the character of the New York Stock Exchange are entirely unjustified and have been prompted by either ignorance or prejudice. If the Stock Exchange were abolished great enterprises would soon be paralyzed. Without its medium it would be impossible to raise the capital for conducting our great railroad and industrial corporations; investors would be deprived of the means of finding profitable

employment for their capital, and there would be no free market for the many millions of securities there dealt in. Abolish the Stock Exchange and the free play of market forces which best develop real values; then investors would be kept in the dark and their properties would be exposed to grosser manipulations than ever thought of by stock market operators. The New York Stock Exchange, it should be remembered, is nothing more than a well-systematized market place for the exchange of or trading in securities. From the very nature of its purpose and its organization it cannot exercise any direct control over the management of the corporations whose securities are dealt in by its members. It may establish certain rules as to the conduct of business by its members, and may insist that only securities of certain standards shall be dealt in on its floor. Beyond that it cannot go; and buyers and sellers alike, as in all matters of business, are expected to exercise their own intelligence as to the merits of investments. One thing is certain, that whatever its shortcomings there is no organized body of business men where the standards of integrity are higher and more fixed than on the New York Stock Exchange. Its transactions are carried on chiefly by word of mouth; the spoken word being as sacredly kept as signed contracts. Further, there is a Board of Governors to whom any complaint can be carried, whose purpose is to prevent all abuses within its power and to maintain the highest possible standards of business. All infractions of the rules are promptly punished. Certainly, whoever begins throwing stones at the New York Stock Exchange should first look and see if his own window-panes are not in danger.

A great deal of nonsense is also heard about speculation. Now, speculation, like many other good things, may be carried to excess, and is then injurious and open to the severest criticism. But speculation within reasonable limits is most beneficial. It is one of the main incentives to enterprise. Crush this disposition to venture, or the willingness to accept a risk, and enterprise would languish, trade and industry would decline, and we should gradually settle down to certain industrial and commercial decay. In the present highly developed state of modern civilization speculation is a motive power of the first importance, and being a part of human nature itself cannot be eradicated. In the course of ordinary business, speculation is the natural balance wheel of trade, furnishing a class of operators who are willing to buy or sell when others for various reasons are disinclined. Moreover, by keeping up the conflict between a large body of buyers and sellers the true value of securities or commodities is more safely determined than when speculation is entirely absent. The short seller is always a buyer at a lower price, and therefore a supporter in case of decline. Conversely, the long buyer restrains undue advances by selling to secure his profits. Again, the banker is better able to judge the value of collateral in a free and active market, a factor which is much to the advantage of both legitimate borrowers and lenders who may not have the remotest interest in speculative movements. The giving of credit and the making of loans is very largely dependent upon a thorough test of values such as speculation only often

determines. Of course speculation is sometimes carried to excess, and much injury results in consequence. Such excesses which are the consequence of defects in human nature must always be expected and are better corrected by experience and public opinion than by any artificial regulation. Who has not the right to profit from good business judgment, especially if that judgment incurs the risk of the future; and who should complain if his own judgment leads him into losing transactions? Concerning speculation there is also another foolish misconception. Speculation is frequently confounded with gambling, although the two are radically different. Speculation is based upon knowledge and facts, whereas gambling deals solely with chance. It is a fallacy to suppose that any but a small percentage of transactions on the New York Stock Exchange come under the head of gambling. What difference is there between buying stocks and bonds on part payment, or margin as it is often called, and buying land or houses or other property with only one-fifth in cash and carrying the balance on mortgage? Such transactions are speculative, are strictly moral, and entirely a matter of business judgment. All operations entering into the future are necessarily speculative. So far as the New York Stock Exchange is concerned its rules are drawn for the strict purpose of protecting legitimate trading, and an actual transfer of property is required for every transaction. Of course, abuses exist in all trades and will continue to exist, rendering it the more necessary to use a little intelligent discrimination before condescending to loose denunciation, which may easily do much harm and no good.

The President's attack on options in his recent message to Congress certainly cannot apply to any business transacted on the New York Stock Exchange, as options are not dealt in there. Options of from three to sixty days were dealt in a great many years ago, but were abandoned long since. Every purchase and sale now made on the floor of the New York Stock Exchange provides for a delivery on the day of purchase, or the following day, and payment made therefor upon delivery of the security, and no law can possibly be passed by Congress, or the State Legislature, to prevent a broker thus buying securities for a customer on part payment on terms satisfactory to himself, any more than a law could be enacted to prevent a dry goods, hardware, grocer, or merchant in any other line from extending credit to his customers. Nearly all the business of the world is thus transacted, and could not be done on a large scale otherwise. In London, however, most of the business is virtually on an option basis, as it provides for fortnightly settlements, there being two settlement periods each month, which can be extended from time to time indefinitely at the option of the parties connected therewith.

The method of doing business in "futures" prevails on the Cotton and Produce Exchanges, and could not well be transacted, to the extent of making an active market for the benefit of the producers, on any other basis, in my opinion. To do away with dealings in futures would simply do away with the exchanges, which would be to the disadvantage of the farmers. A farmer, as soon as he ascertains that his crop is secure, makes a calculation of how long it will take to put it in his barn, thrash it out, and

transmit it to Chicago, and he sells it to deliver during that month or a later one, thus ridding himself of any further risk of fluctuation in the price, and is made happy thereby. If he is deprived of such a market, it puts him back to the old way of doing business, when the large dealers from Liverpool, Chicago, and other quarters sent their agents direct to the farmers at harvest time, and by bringing all kinds of discouraging influences to bear upon them made them sell at a fraction above the cost of production; as against this they are at present able to hold their crop back and get the highest price. In having the ready market which now exists the farmers have all become rich. Why, therefore, change the present plan, which has given so much prosperity to the producers of cotton and other products, to what might be likely to reverse their present satisfactory condition?

Members of the New York Stock Exchange, in cases of insolvency, are required, by the rules, to immediately notify the Stock Exchange of their inability to meet their contracts, and the selling or buying in "under the rule," to close defaulted contracts, if there are any, usually follows the announcement of a failure and failure carries with it suspension. But failures in the Stock Exchange are very few and far between, considering that there are eleven hundred members. They are indeed far below the average of failures in mercantile business, and they are generally followed by satisfactory settlements and readmission to membership, and a resumption of business.

This speaks well for both the integrity and the conservatism of Stock Exchange houses. It is very seldom that what would be called a bad failure occurs among them. There are, in fact, no abuses on the Stock Exchange, for trickery and unfair dealing is impossible, owing to the strictness of the surveillance and discipline constantly maintained over the members, who are also themselves punctilious in keeping their contracts and observing the rules, and doing only what is fair and square in business. This is essential to their own interests and success, as bankers and brokers, without regard to the penalty of suspension, or expulsion, for any irregularity. That penalty they approve of, for it is a protection for all of them, except an occasional black sheep that they are glad to see weeded out of the Exchange.

How necessary the Stock Exchange is to the banks was shown during the recent crisis, as in preceding panics, when to protect themselves they were forced to call in their loans by wholesale, and where necessary to at once liquidate the collaterals. It was the Stock Exchange that made this liquidation possible, and saved many of the banks and trust companies from suspension, as well as many bankers and brokers, who were enabled by it to pass through the trying ordeal, instead of going to the wall in Wall Street.

The Stock Exchange therefore obviously performs a great and very useful and important function in monetary affairs, besides being the barometer of values for stocks

and bonds, as measured by prices, while the cotton and the grain exchanges perform a similar service with regard to those speculative commodities.

Yet one effect of the crisis of 1907 has been to give a new impulse to Wall Street detraction, and sharpen the teeth and claws of the detractors. While many are mistaken enough to hold Wall Street responsible for the past year's financial disaster, many more are equally mistaken in declaring that President Roosevelt caused them by his speeches and the Government prosecutions of law-breaking railway and Industrial Corporations. Both charges are unreasonable and false, but this consideration is a small matter to those who have no hesitation in making reckless assertions which they are unable to prove, and who are as ready to vent their spite as they are their prejudices.

Many indeed without knowing anything about Wall Street speculation, and who have never speculated anywhere, blame speculation for a host of evils that are in no way due to it. Some of them would even close the Stock Exchange to stop speculation there, forgetting apparently that this would deprive investors and banking institutions as well as speculators of a market for securities, and make all the stocks and bonds now listed and dealt in there practically unmarketable. In such an event there would most certainly be a fall in their prices greater than any we witnessed in 1907.

It is true that in the manipulation of stocks matched orders may have been occasionally resorted to, despite the rule against it on the Stock Exchange, but it is only because of the difficulty, or impossibility, of discovering or proving it, for there is no body of men subject to stricter discipline, or more amenable to it, than the members of the New York Stock Exchange, nor any more patriotic, as their generous acts during the Civil War, and at other times, have abundantly shown.

Neither should it be forgotten that they pay the State of New York a tax of two dollars on every hundred shares of stock they sell, which is an important source of revenue to the commonwealth. That the Stock Exchange, as a free market for securities, is indispensable to the country is beyond question. It is necessary to our national needs, and I am proud of being one of the oldest of its members, my membership dating from 1864; and I am able from long personal experience and observation to testify to the integrity, soundness, and general good character of my fellow members and the banking community of Wall Street.

Therefore take my word for it that Wall Street is not as black as it is painted, and that anyone's money is as safe there as anywhere in business, if properly placed, and handled with good judgment. If any of it is lost it is by its owner, and he has only himself to blame for his ill luck. But it is always to the interest of his banker and broker to have him make money, for when a customer loses his money his broker in some degree shares the loss by losing him as a customer.

In conclusion, I hope that if any of you ever take a flyer in Wall Street, you will come out of it, with flying colors, on the winning side, and with a good opinion of the Street proportioned to the magnificence of your success!

CHAPTER LXXXIV.

THE FINANCIAL AND TRADE SITUATION, PAST, PRESENT

AND FUTURE, REVIEWING THE CRISIS OF 1907, WITH CAUSES AND REMEDIES.[10]

10. An address delivered by Henry Clews at the annual meeting of the Pittsburg Chapter, American Institute of Banking, at Pittsburg, Pa., on Tuesday evening, February 25, 1908.

It gives me no ordinary pleasure to address an audience of Pittsburg bankers, for Pittsburg is the hub of our iron and steel industry, and as it has no rival in the manufacture of iron and steel, it may well feel proud of its supremacy. It is no exaggeration to say that the rise and progress of that industry in Pittsburg is one of the marvels of the age. A few years ago Pittsburg was known in New York as the Smoky City. A little later she became known as the City of Steel and Coal. Now, through the alchemy of the brains of your wise men, she is known as the place where smoke and coal and steel are in some mysterious way mixed up in such a form that they fill your pockets with pure gold. To the millionaire of to-day we bow in deference to his wealth. But to the grimy sons of toil, who planted the seed and bore the burdens of the earlier days, we take off our hats with reverence. The founders of your city chose wisely in selecting this spot for settlement, at the river's junction, in the midst of rich deposits of coal and iron. It seems rather odd that your two greatest products should be glass, which is brittle, and steel, which is tough. You also excel in producing cork, which is light, and iron, which is heavy. Surely extremes meet in your city as well as rivers. Down our way we wonder what you do not produce when we learn of the diversity of your wares. It certainly seems to me that a man could learn a whole lot if allowed to visit all your various foundries, factories and mills, but it would take him nearly as long as to go through college, as their name is legion. The welcome which you have given me touches me deeply, and I assure you that in future I shall preach the doctrine that there are others in Pittsburg whose mission it is to dispense happiness besides Mr. Carnegie.

If we glance at the history of steel manufacturing in the United States, we find it centered in and very largely confined to Pittsburg, and if we recall the enormous fortunes made in that industry by Mr. Carnegie and many others, under the protection of high tariff, we see one of the greatest wonders of trade development and modern enterprise.

Yet it was not until after the beginning of the war between the North and the South—the great conflict waged from 1861 to 1865—that any large or even considerable amount of steel was manufactured in the United States. But now we lead the world in making it, and Pittsburg is our great source of supply. At the same time, we can justly say that the march of invention and modern improvement in other directions has kept pace with the growth of Pittsburg and our marvelous progress in iron and steel-making.

This reflection is particularly gratifying in view of our recent financial crisis, in which New York was the storm-center, and Pittsburg almost as stormy for a time. But both cities, like the country at large, stood up bravely and made the best of the situation by all the means at their command. Both fortified themselves by a good emergency measure and issued Clearing House Certificates, according to their needs. Pittsburg, however, went one or two better than New York, and, like many other cities, issued scrip; and better still no one in Pittsburg refused it, not even a car conductor for fares. Here was public spirit rising almost to the height of patriotism.

Now, Pittsburg in common with the rest of the country is again about on an even keel financially, with its banks on a cash basis, its cashiers' certificates and scrip redeemed, and its Stock Exchange reopened. But unfortunately the crisis gave industry a blow from which it has not yet recovered, although conditions are steadily improving all over the United States. The iron and steel industry received the hardest blow of all, and from a feast you quickly passed to a famine, which is a way the iron trade always had. It is proverbially, however, as quick to recover as to collapse; so all we have to do is to keep up our courage and wait, and we may feel assured there is a good time coming. But whether it will come soon, or later, is a question about which iron-masters, financiers, and trade doctors generally are much divided in opinion at present. It is a good sign, however, that work has been resumed in fully three-fourths of the entire Duquesne works of the United States Steel Corporation in Pittsburg, although it is admitted that only 46 per cent of all the Corporation's works are running.

In September, 1906, when stock and bond prices were manipulated abnormally to a 3½ per cent basis, while six months' money was loaning at 6 per cent, it was evident that one or the other was too high; and considering the growing demand for the use of money it became quite apparent it was not money that was too dear, but securities. At that time I persistently advised every one to get out of stocks and out of debt, and keep out for a prolonged period.

Since then security values went down prodigiously—$3,500,000,000 would scarcely cover the depreciation at its lowest point of those dealt in on the New York Stock Exchange alone. Our financial situation is vastly different, however, from what it was in any of our previous great panics, of which there have been a number, since that of 1857, which began with the failure of the Ohio Life & Trust Co. at the time of my advent in Wall Street. I have been in all the subsequent panics, and the present conditions differ from those of all the other great financial storms because the wealth of the nation has become so vast as to make it the richest in actual wealth and productiveness of all nations. As a matter of fact, our wealth-making developments have been so extensive and excessive as to have forged ahead of our banking facilities. This has had much to do with our recent setback. Wise and sagacious capitalists saw the handwriting on the wall in Wall Street and elsewhere, and those who did unloaded their securities in 1906, dumping their stocks at top-notch prices, amounting to at least $1,000,000,000, upon weaker-backed people.

This unloading, together with the San Francisco earthquake disaster, which wiped out $350,000,000 of property, struck the staggering blows which did more than anything else to pave the way to the recent panic conditions. The selling out by big holders was followed by all the large railroad systems in the country selling huge amounts of bonds, stocks and short-term notes. These being offered to stockholders of record at apparently tempting prices, were floated. But this great mass of new securities coming on the market was an indigestible one, and absorbed the capital of a very large number of the rich men of the country and put it in fixed form; and most of these heretofore very rich men have ever since been in the position of a man who, having had a “Sherry dinner,” is urged to accept another dinner at Delmonico’s immediately afterwards—his wish strong but his capacity lacking.

What produced the panic was a number of adverse factors happening one after another in rapid succession.

I summarize, briefly, the causes as follows:

FIRST.

The Boer war which left England in almost as bad a financial strait as we were in through the culmination of a similar period of overdoing in trade and speculation in new industrial ventures, together with an excess of new issues of British Consols during the war period resulting in a recent decline in the price of these prime securities to 81—about the lowest price on record.

SECOND.

Germany was in fully as bad a condition owing to extravagant industrial enterprises, rivalling our own, and which required the most careful nursing to avoid a collapse.

THIRD.

France acted alone in financing Russian loans, and in the crisis of the Japanese-Russian war was compelled unwillingly to supply new funds in order to protect the French loans already outstanding. Hence France had little or no money to lend except to the French.

FOURTH.

The Japanese-Russian war brought both of these countries forward for the first time as prominent and important factors in the world's money market, and both are still, like Oliver Twist, crying for "more." This conflict and the Boer war combined wasted over $2,000,000,000 of capital.

FIFTH.

Funds were almost unobtainable except at prohibitive rates at the time of our recent crop-moving period, and for causes already mentioned we could not look to Europe for help. Usually Europe discounts New York securities bills for about $300,000,000 at this period, but last year Europe said: “No; we have troubles of our own.”

SIXTH.

The California earthquake with losses of $350,000,000, and the Chili and other earthquakes of less importance and severity in various parts of the world were heavy blows at prosperity.

SEVENTH.

The compulsory unloading of very many millions of dollars of stocks and bonds by large capitalists and operators, together with immense sales of new securities by corporations and railroads, and the manipulation of prices and stocks up to a 3½ per cent interest basis while time money was loaning at 6 per cent, and above, on the best of collateral. Besides which heavy, excessive and reckless operations in real estate and mining enterprises having been made all over the nation, caused large amounts of capital to lose its liquid quality and become fixed.

EIGHTH.

The investigation of the great life insurance companies and the Metropolitan railroad, and the sad disclosures, followed by the absurd fine of $29,400,000 by Judge Landis against a corporation with a capital of only $1,000,000, had a demoralizing effect upon the public mind. This preposterous fine savored of confiscation and alarmed investors.

NINTH.

The Interstate Commerce Commission's examination of the Chicago & Alton deal and the consequent developments further undermined the confidence of investors.

TENTH.

The making of injudicious loans by the Knickerbocker Trust Co. and the chains of banks, both in Manhattan and Brooklyn, which caused the suspension of the institutions and arrest of officials on criminal charges intensified public distrust, while the collapse of the Copper market unsettled the metal markets all over the world and resulted in a reduction of dividends on copper shares, and a serious break in the price of all that class of securities.

LASTLY.

A gross abuse of our credit system and the consequent inflation of all values, stimulated by loose banking and promoting methods, proved the climax in a series of events which culminated in the sharpest though not the severest panic the present generation has experienced. The main cause of the panic was that of general overdoing. Credit was over-extended; speculation was reckless and ill-advised; expansion of every sort was being carried to excess by over-confidence, until finally the country's floating capital was practically exhausted through being turned too rapidly from liquid to fixed forms. We have only to glance at the demands upon new capital during the last year or two to realize this fact.

Some idea of the congested state of the stock market may be obtained from the fact that during the last five years the total amount of new securities authorized was $6,800,000,000; the eleven months of 1907 alone accounting for $2,000,000,000 of this total.

During the latter period our railroads authorized $1,400,000,000 securities, of which they were able to issue only one-half, owing to money market conditions. Of industrial securities less than $500,000,000 were authorized, but nearly $400,000,000 of these appear to have been issued.

These figures take no account of the issues of municipal securities, and those of many other business concerns of a minor character, but they are quite sufficient to indicate the extraordinary demands upon the money market during the last two years, demands which in connection with huge speculative borrowings imposed an unbearable strain upon the banks and precipitated the March, August and October collapses in the stock market. Other influences have undoubtedly been at work to cause the breakdown, but no single factor compares in importance with that of the excessive issues of new securities and obligations during the past two years which the country was utterly unable to assimilate.

In discussing the cause of the recent panicky contraction and disturbance in the business and financial world, nothing, however, could be further from the truth than to charge it all to the great corporation exposures and prosecutions.

As I have said, there were many other things that contributed to bring about last year's depression and disturbance, and to cast over the bright sky of business prosperity the heavy clouds of distrust, reaction and panic.

The recent clouds in the financial sky can remotely be attributed in a large measure to the effect of the tremendous railroad, industrial and commercial development of the last ten years, which brought about capital requirements in excess of the ability of the country to supply them.

Naturally and necessarily, this resulted in precautionary steps being taken by bankers and others to limit demands that capital could not supply.

This conservatism and consequent contraction of the overwhelming volume of business will, it is believed, prove the strongest force in averting further trouble and disaster.

In an effort to meet the demands of the enormous business offered them, the great railway and industrial corporations sought to enlarge their equipment at vast expense. In this they acted unwisely. They overtraded. It was perhaps excusable not very long ago, when confidence was in its zenith and credit superabundant, to attempt the financing of mammoth undertakings. But unexpectedly and like a bolt out of a clear sky, came the startling insurance and other exposures, and gradually timidity took the place of confidence.

Then capital, which is always more timid than usual at such times, began to contract, and many railroad and industrial corporations found themselves unable to borrow the large sums needed to meet their extraordinary expenditures.

The banks, in many instances, having already over-extended credits, were unable to provide the necessary funds, and new securities, owing to excessive supplies and other causes, ceased to find the ready market that they had enjoyed for so long a period. Investors took wing. Curtailment, therefore, in every direction became a necessity; President Roosevelt can no more be blamed for the recent depression and panicky disturbance than he can be credited with all the great prosperity that preceded the crisis.

That this reaction, culminating in a panic so severe, came just at the time it did, is largely if not wholly coincidental. It cannot be denied, however, that the startling disclosures of wrongdoing on the part of many of the great railroad and industrial corporations disturbed the confidence of the public to the core, and paved the way to it.

Being now myself optimistic, I look on the sunny side and hope for the best. It is, however, a time for conservatism, and while trusting in Providence, it is well to keep our powder dry. It is a good time to cultivate the virtue of patience, and make haste slowly until all the aftermath of the panic, in the way of liquidation and the elimination of unsound timber from business structures, is completed.

This will leave everything in the financial and industrial world stronger than before. It will also leave us with a higher standard of business morality resulting from the exposure of looting and other illegal practices and abuses of power in the management of large corporations. The stoppage of the evil of rebating by the railroads is of itself a great gain in this respect, and for this we have to thank President Roosevelt.

As to the future, Pittsburg and the iron and steel trade should be the first to feel improvement in the general business of the country, for iron is still the best barometer of

the times, as it leads all other industries in both depression and recovery, and what an eventful history Pittsburg can point to, the world knows.

It was at Pittsburg that the Bessemer process was first applied to steel making in America, and the giant strides in the industry that followed its supersedure of the open-hearth process not only astonished ourselves but all Europe. It was a new departure on a grand scale, this application of science to mechanical methods, a revelation that was marvellous in the trade expansion and wealth it produced.

Yet it is not improbable that before long, if not immediately, the Bessemer process by which this immense development was achieved will be very generally superseded by the open-hearth process of steel making, which originated and had its early development in this country. Thus in the whirligig of time it will displace the Bessemer process, by which it was itself displaced. This, as you are of course aware, is owing to improvements, chiefly by Talbott, an American engineer, in the open-hearth process, which for a long time has been considered almost out of the race in competition with the Bessemer process. This reminds us that history repeats itself.

The open-hearth process has now been brought to such perfection that its superiority over the Bessemer process is declared by many in the trade to be established. Thus practice makes perfect, and time works wonders. Its superiority over the Bessemer process is said to have been particularly demonstrated in dealing with ores of any but a very low phosphorus grade. This American improvement in the open-hearth process has been already widely recognized and adopted in England, and we are in this way repaying the debt we owed to that country for the Bessemer process.

The steel manufactured in the United States last year aggregated 23,246,000 tons, of which 12,275,000 tons were by the Bessemer process and 10,971,000 tons by the open-hearth process. There were also some other varieties of production, copied from processes in use on the European Continent, but the general drift, I am informed, is now towards the open-hearth process.

Out of Pittsburg, of course, I should not talk so much about steel, but iron and steel are Pittsburg's bread and butter. This reminds me that apart from agriculture the principal sources of our national wealth are minerals and manufacturing. Mining and manufacturing are primary and fundamental industries. Our agricultural income last year, according to the United States census estimates, was about seven thousand millions of dollars, while the metals mined were valued at about two thousand millions, against $1,902,517,565 in 1906.

This metallic product for the year, it is estimated, was turned by manufacturing it into materials having a market value of fifteen thousand millions of dollars. If we add that of agriculture, the metallic products, and manufacturing, together, we have a total valuation for the year of twenty-four thousand millions of dollars. The fertility of our natural

resources is here shown by their rapid rate of development. But this, while contributing so largely to our present national wealth, is not an unmixed good. We should always bear in mind that the more we take out of the earth, and the more we strip our forests of timber, the less we have remaining. In forestry, however, we are now preparing for the future by replanting, but we cannot replant minerals.

The mineral products of this country have more than trebled since 1890; more than doubled since 1899; and are more than five fold what they were in 1880. From 1900 to 1906 our mineral product increased at a rate representing a hundred and ninety millions a year.

I am quoting these statistics as a reminder of the vastness of our natural resources, and the recuperative power of the nation, which is one of the most encouraging features of the national situation. These resources are the backbone of the country's greatness; and those who can see nothing cheerful in the outlook and to whom everything at times looks as blue as indigo, will do well to think of them, for they are Nature's national banks, that can never fail, and unfailing sources of our national prosperity.

It was these resources, in the form of exports to foreign countries, that enabled us to purchase and pay for—without borrowing or asking favors—the one hundred millions of gold that we imported to relieve the crisis. Here was indisputable evidence of the large international trade balance in our favor, and of our monetary and commercial independence of the rest of the world; and this gold we still hold, although in the ordinary course of commerce we may reasonably export some of it before long, for we have plenty to spare and money is superabundant at two per cent on call in Wall Street. Meanwhile our exports of produce and other merchandise continue extremely heavy, and they were never heavier than during the crisis, that is, in the last three months of 1907, while in January, 1908, they rose to a total value of one hundred and twenty-eight millions, or $17,742,352 more than in January, 1907. This is all the more favorable because our imports since the crisis have very largely decreased. In our January exports, cotton alone represented $76,687,508 of the total, and breadstuffs $24,463,503.

As to our national finances and the defects of our currency system, there is much that calls for reform, but there seems to be little or no prospect at this session of Congress of the passage of a comprehensive financial measure, although it is a remedy we need. We shall therefore have to rest content for the time being with the much amended emergency currency measure, familiar to us as the Aldrich Bill. This provides only for the issue of a maximum of five hundred millions of currency by the Government to the national banks, to ward off a panic or mitigate its effects, the banks to pay six per cent interest per annum for whatever they take of this emergency currency, and give security in acceptable railway, municipal and other bonds for it to the Treasury.

So far, so good. I am, therefore, strongly in favor of the Aldrich measure as a panic remedy, naturally so as I originated the fundamental part of it. It will do much to prevent

panics, and will effectually stop the hoarding of currency that accompanies them, for what inducement would there be to hoard it when a supply of five hundred millions of new currency would be open to the banks? There could be no extreme scarcity of money then; nothing in any way approaching the stringency that not only New York but the whole United States suffered under in the last three months of 1907.

Yet the great remedy, the comprehensive financial reform measure we need will be ultimately passed by Congress, and its provisions will include the modification of the Sub-Treasury system, which has always been a source of much mischief through locking up Government money received for Customs duties and internal revenue taxes, that ought to be kept in circulation. The proposition, however, to establish a central national bank in New York, or anywhere else, as a substitute for it, is to be strongly deprecated. It would be a rich plum for those who controlled it, but would excite the jealousy and hostility of all the other banks. Moreover, such a bank would in effect be a revival of the old United States Bank, against which, and the scandals and corruption connected with it, President Jackson made war so vigorously as to force it into liquidation. The second experiment of a United States bank was no less involved in scandal and no less a failure than the first, and in each case there was the same inglorious end, compulsory liquidation. Both, too, were used as political machines, and guilty of favoritism and many abuses of power, and a new central bank would give us another big political and speculative machine, liable to the same evils and objections. Therefore all bankers should resolutely oppose a central bank. It would not be a remedy for any of the evils complained of, but, instead, furnish us with a new complication.

While we can hardly expect any fundamental changes in our currency system at present, one improvement might easily be made in it by Congress at once, and that is by the removal of restrictions on the amount of national bank notes taken out or canceled per month, as well as by establishing a bank-note redemption bureau at every United States Sub-Treasury, so as to save the delay and expense of sending to and from the Redemption Bureau at Washington, that all the national banks are now subjected to. As a minor remedy this should be urged upon Congress.

Turning to the United States bonds pledged with the Treasury to secure the national bank notes, we all know that they are as good as gold, if not better, but still they are evidences of debt, and it is a false economic principle to issue currency on such a basis. Moreover, it is costly for the Government, for it practically and permanently prevents it, in the interest of the national banks, from redeeming the bonds deposited to secure national bank notes, out of its surplus income. Still it has great merit in giving us a safe and sound bank currency. Ultimately this system, born of the civil war, will be superseded by a better one, but this will doubtless be done in a manner which will not interfere with or impair vested interests.

Owing to the short time now left of this session of Congress, nothing more than the "Aldrich" bill can possibly be enacted at this time. Its simplicity is a recommendation to Congress. But, nevertheless, Congress should later pass a permanent currency bill, a bill which will settle every question as to the finances of the nation, at once and for a century to come. Such a bill is possible, and in fact it would be the simplest kind of measure for the Government to adopt—one to provide for just the kind of currency, and the amount of currency the business of the nation, the banks, and the people should have; one to provide for a perfectly elastic currency without creating the slightest depreciation of money or danger of loss to banks or Government. It should provide a perfect way of obtaining money to move the crops, and furnish an all-sufficient means of preventing or breaking panics. It should make the money of the United States still more current and acceptable in all parts of the world. This would make the nation greater in the eyes of other nations, and give the United States Treasury a proper command of the commerce and finances of the world, within ten years after being put into operation.

All the Government need do to effect such change in the finances of the country, and to acquire all such advantages for the Government and the people, in my opinion, is to wipe out the whole system of National Bank Currency, and give such banks, or any banks, Government currency direct, upon the same securities and such other kinds of securities as the Government is willing to accept, and permit the banks to increase or diminish the amount it obtains whenever the business of the banks requires it; every bank to do no more than give sufficient security for the money. The Government need do no more than to take the security and hand the bank the money. The Government should be paid for the use of the money a low rate of interest, say one per cent. No bank should be required to pay more.

The credit of the Government will be all sufficient for the credit of the currency, and every dollar of it would be perfectly secured by the security given the Government for it by the banks. The issuing of the money by the Government under this system would not injure the credit of the Government in the slightest degree. Banks should be allowed to increase or diminish the amount of money they obtain in amounts which can be decided by the law. Such a system would be satisfactory to all the people, except the national banks. These banks have been given the privilege of having their names on the money they issue long enough. The money of the banks has ever been Government money. The Government has promised to pay it if the banks did not, and has had the means of paying. Let the Government do as it should: issue all the money. Let it be circulated by banks which give proper security for it. Enlarge the means of securing the Government, by accepting State and Municipal bonds, or even Railroad bonds, to the extent of say 50 per cent, and Government bonds for the other 50 per cent.

The amount of additional business this change in the finances of the country would make the Government, would be no greater than any other change would make, and

would be much less than what will be necessary if the present bill before the Senate is passed. All the great work and expense of settling up the affairs of broken national banks and paying off their notes will be stopped.

There would be no such things then for the Government to settle. The Treasury can be required by the law to keep all the currency issued for the purpose, that may be taken up, distinct and separate from all Treasury receipts from other sources.

The severity of the panic ordeal of 1907 that the New York banks passed through was reflected in the issue to them by the New York Clearing House, on and after October 22d, of, in all, a hundred millions of loan certificates, although the largest amount of these outstanding at any one time was eighty-four millions. This form of banking relief is purely American and has never been adopted in Europe. The maximum issue of Clearing House loan certificates in the panic of 1893 was $41,690,000, and in the panic of 1873 $26,565,000. But in 1893 New York bank deposits were only $400,000,000; in 1907 they were $1,050,000,000, exclusive of Trust Companies. The maximum of certificates in 1907 was reached in the third week of November, but the Clearing House banks showed their largest deficit in reserve—$54,100,000—in the first week in November. Simultaneously the loan certificates issued by the Boston Clearing House reached their largest aggregate, $11,995,000. It is noteworthy also that three powerful New York banks then held one-third of all the loan certificates issued by the New York Clearing House. One of these held $13,500,000; another $10,000,000; and the third $7,500,000. The obvious object of this was to enable the strong banks to loan a part of their cash reserves to weak associates.

The Clearing House Committee and the New York banks individually and collectively did splendid work in mitigating as far as possible the effects of the panic, while the Secretary of the Treasury, Mr. Cortelyou, rendered very valuable service by co-operating with the national banks to reduce the monetary stringency through large Treasury deposits and facilitating the importation of gold.

Mr. Morgan and several other private bankers also rendered praiseworthy service during the panic, and my firm did its part by loaning to the members of the Stock Exchange, at the most critical period, three million dollars at moderate rates of interest.

The New York Clearing House is a non-incorporated association, but its reserve is the foundation for an enormous amount of the country's commercial credit. Of course, the banks and others holding practically unsalable collateral for loans, that the borrowers were unable to repay, were forced to help the borrowers and save themselves from loss by continuing to hold them through the crisis for a better market. There were many cases of this kind, particularly among the Trust Companies, and there has been much slow and careful after-panic liquidation of such collateral, and much of it has still to be done. It is, however, being facilitated by the decided improvement that has taken place in the market for first-class bonds.

Capitalists who for the past two or three years had been dissatisfied with the returns of ordinary investments and who had gone into hazardous speculations and extensive underwriting of new bond issues in the hope of large and quick profits, have been sobered by their heavy losses and are now seeking safety in prime investment bonds.

Had the market for bonds not improved as it has, it would have been practically impossible for the New York Central and other Railway Companies to have marketed the large amount of notes they have succeeded in selling since the beginning of this year. The after effects of the panic, as well as the panic itself, would also have been far worse than anything we have witnessed had it not been for the previous heavy stock-market liquidation, a liquidation that in many cases had been practically continuous from the end of 1906, and that was most drastic and disastrous in August, 1907.

That the banking situation has become normal is indicated by the elimination of loan certificates and the resumption of normal methods by all the Clearing Houses in the United States, and particularly by the resumption of the weekly detailed bank statements by the New York Clearing House. This occurred on February 8th for the first time after their suspension on October 26, 1907, and was supplemented by statements of the non-Clearing House banks and Trust Companies, including actual as well as average conditions. This last is a new and commendable feature, which every Saturday will enable us to learn how all the banking institutions in New York City and its several boroughs stand, both individually and collectively, in their average and their actual condition.

That we are assured of a superabundance of money at low rates of interest is evident from the large and growing accumulations of surplus funds in the banks from Maine to California, and the light demand. All the indications favor a protracted period of extreme ease in the money market, modified only by gold exports and the withdrawal by the Government, from time to time, of some and probably a large part of its deposits in national banks. This again reminds us that the Sub-Treasury system makes the Government an unlimited hoarder of money, with only evil results. This, alone, calls for its modification.

But while the large aggregate of the surplus funds of the banks testifies to the return of confidence, and with it the return to banking channels of hoarded money, it also reflects the dullness of trade and much idle machinery and unemployed labor. Hence the bank clearings of the United States in January were twenty-five per cent less than in January, 1907. This condition of affairs has been and still is severely felt by the Railways, whose largely reduced gross and net earnings and long lines of empty cars tell why a number of them, like many industrial corporations, have reduced or passed their dividends, or paid them in scrip. More railway and industrial corporations will probably have to accommodate themselves to circumstances and do likewise in

consequence of reduced earnings. That we expect, and are prepared for, while the trade depression lasts, and hence we all hope and trust it will be short.

Meanwhile we cannot ignore the political situation in this Presidential year, and the disturbing and depressing effect of the recent message of President Roosevelt to Congress, with its onslaught on Wall Street, followed by the unjust bitter attack of Mr. Bryan on Stock Exchange speculation, which he denounced as gambling. Wall Street was thus ground between the upper and nether millstones of the Republican and the Democratic parties; it was fired on from both sides with hot shot, grape and canister, without any good reason.

Speculation in stocks, as conducted through Stock Exchange brokers, is no more gambling than speculation in real estate or ordinary merchandise. All trade is more or less speculative because it involves risks. If it did not involve risk there would not be so many mercantile failures as there are every year, yet no one calls trade gambling. Every time a merchant buys a line of goods, he makes a venture, not knowing whether they will rise or depreciate in market value on his hands. He buys also on credit, just as he gives credit to his customers; and what is the difference in principle between this form of credit and the credit a stock broker gives his customers who pay ten per cent on the par value of their purchases while the broker provides the balance and holds the stocks as security? This is the margin, which is a credit in the account of each of them; and I call it a credit instead of a margin, which is a better word for brokers to use.

The present anti-speculation crusade is accompanied by many delusions and very imperfect ideas concerning the conditions and equities of business operations. Who is to decide which are speculative transactions and which are not? Business cannot be conducted without making contracts entering into the future, and that is speculation. The builder who contracts to build you a home is a speculator; the manufacturer who agrees to deliver a thousand cases of cotton goods sixty days hence is dealing in futures, and all operations extending into the future are unavoidably of a speculative character. Even marriage is often called a lottery. It is quite impossible and thoroughly stupid to try to eliminate speculation, for it is an essential element in all business transactions, except those for cash. If business were reduced to the latter basis, it would soon become injuriously restricted and more exposed to corners and violent fluctuations than ever.

As to legitimate or illegitimate speculation, who is to decide between the two, and where is the line to be drawn? If the investor buys securities in advance of his income, expecting to complete the purchase later on, is that legitimate? Suppose circumstances compel him to change his mind and sell before his original purchase is completed, is that legitimate? And in what respect does such a transaction differ from the ordinary marginal contract? It may, perhaps, differ in intent; for the speculator usually buys with a view to taking advantage of temporary fluctuations. Yet, who would be bold enough to investigate the intentions of buyers or sellers? Only the most drastic kind of force could

compel divulgence of such secrets, and is it possible to establish any such system of espionage in this country? Speculation, as often stated in these advices, when confined to reasonable limits is beneficial. It is the natural balance wheel of commerce and finance. By its means and through the conflict of opinion between buyers and sellers real values are established by simpler and more reliable means than by any other known methods. No Government investigation will ever ascertain the real value of our railroads so well as the higgling and bargaining between buyers and sellers, which is alike the moving spirit of commerce and the arbiter of values on all Stock Exchanges the world over. Speculation is liable to be carried to excess, and abuses in speculative methods undoubtedly exist; but these are better corrected by a strong and elevated public opinion than through any legal measures based upon political claptrap. There is a flood of nonsense in this campaign against speculation, anti-option, etc., which does not find believers here but may in other parts of the country. It consists very largely of political humbug, and is nothing more than one of the usual methods by which crafty politicians play upon the ignorance and prejudice of the masses for their own advantage. After the elections this mania will probably pass away, to be then recognised as one of the psychological features usually following a panic. Previous instances of this sort of agitation were the granger and populist movement, which exhibited many of the present symptoms of political insanity. Nevertheless, such agitation may do serious harm, and its fallacies should be fearlessly exposed in order to prevent the people from being deceived and misled. Even now this agitation, especially us manifested in hostile State Legislatures, is seriously interfering with that restoration of confidence that is absolutely necessary to business recovery. It is keeping both capital and labor idle. Capital is proverbially timid, and until such attacks cease enterprise is sure to be more or less repressed. Of course there are abuses that need rectifying, but it is folly to carry restraint to the point of extinction. Because a few individuals play golf to harmful excess, would any sane person suppress so wholesome a sport? Yet that is precisely the policy of many of the reformers of the present day. Too frequently these reform movements savor of ignorance. Their purpose is frequently admirable; but the country sadly needs more sanity in their application.

President Roosevelt condemns “options” very vigorously, as if they were now dealt in on the Stock Exchange, as they once were, ranging from three to sixty days; but they have not been traded in there for many years, all purchases and sales of stock being deliverable and receivable on the day following the transactions on the floor of the Exchange, except those specifically for “cash,” which means, to be delivered and received the same day. But on the Cotton, Produce and Coffee Exchanges, and Chicago Board of Trade, nearly all the transactions are in “futures”—and these are a boon to cotton and grain growers and coffee importers, who, through them, can sell their growing crops and importations months before they actually possess and are ready to

deliver them, so in advance making sure of the prices they will get for their farm products and importations.

This is speculation, yet perfectly legitimate, and I think that if President Roosevelt and Mr. Bryan knew more about these markets and the N. Y. Stock Exchange from actual experience, they would see the injustice of much that they have said in decrying the evils of speculation. Black sheep and exceptional wrongdoing should not be held up as examples of all and everything in Wall Street; and because unscrupulous men sometimes embezzle in order to get money to speculate with, Wall Street should not be held responsible for their crime, any more than a river should be blamed for a man's suicide because he jumps into it to end his troubles. There is nothing illegal or against public welfare in a broker buying and selling stocks and bonds for his customers in conformity with the rules of the N. Y. Stock Exchange, nor can there ever be; and I know that such business is just as honorable and legitimate as the buying and selling of iron, dry goods or real estate on credit. It is credit that keeps alive the business world.

The attacks on the financial center of this country are indiscriminate, and I am sorry that President Roosevelt, who has done so much good in other respects, should have nipped the bud of reviving confidence in the stock market in the way he did, for his denunciation of Wall Street, coupled with Mr. Bryan's wholesale and wild condemnation of the Stock Exchange, led to a renewal of liquidation in the stock market, and a fresh decline in prices through creating fresh distrust of their holdings among investors.

The New York Stock Exchange is a great national and international market, and its 1100 members compose a very honorable and wealthy body of men, whose integrity in all their business transactions is unquestioned. They are bound not only by the rules of the Stock Exchange to be absolutely honorable and strictly honest in their dealings, but their own interests and their relations with their fellow members and their customers compel them to be so, and to be also above suspicion. Summary punishment, even to expulsion from membership, would follow any dishonorable or dishonest act on the part of any of them, and such instances are of extremely rare occurrence. It is therefore unjust to stigmatize these men, these bankers and brokers of good business standing and good social position, in the manner they have been stigmatized recently by Mr. Bryan; and again I think that if he knew Wall Street better than he does he would have been more discriminating, and would have confined his severest criticism to the speculative capitalists who have probably at times abused the Stock Exchange by the manipulation of stocks.

The so-called practice of "washing" is strictly prohibited by the rules of the Stock Exchange, but as it is very hard to detect and prove, in some instances, doubtless it may possibly have gone unpunished. The Stock Exchange, however, earnestly endeavors to ferret out and prevent and severely punish all violations of its rules.

After every great panic, the Stock Exchange has been made a scape-goat, and unjustly assailed as the main cause of the trouble. The fact however that the two great opposing forces in national politics are now united in their attacks upon Wall Street is unusual, and foreshadows more attacks of the same disturbing character during the presidential campaign. This is a depressing factor in both the financial and trade situation, and we see evidence of it in all directions. It is, of course, a factor that retards recovery from the crisis by retarding the growth of confidence, and how far its influence will extend we have yet to see. But of one thing we may be sure, and that is, we shall be reminded of it very forcibly from time to time from the batteries on both sides of the political battle ground until after the November election; then the guns will cease to belch their thunder. Hence we must be prepared for it in the interval and make the best of it, remembering the old adage-"Forewarned, Forearmed." But never before has politics hurled its javelins so fiercely against Wall Street, and that practically means all the Stock Exchanges in the country. The joint attack is against stock speculation, and no Stock Exchange in the world ever was or ever can be free from that. It would obviously be absolutely impossible to distinguish investment from speculative transactions on the floor of the Stock Exchange, or tell whether long or short stock was being bought and sold. Because speculative capitalists in control of large corporations have managed them dishonestly for their own benefit, and in furthering their schemes and speculations employed stock brokers and used the Stock Exchange, it and its members should not be held responsible for the wrongdoing of these men, as it is a market open to all the world, just as is the London Stock Exchange or any Bourse in Continental Europe. To restrict its scope and operations by law would be to lessen its usefulness to investors and corporations issuing securities, and destroy its utility as a free market for all.

Wall Street being not only a local but a national and international financial center, the whole world, not only the whole country, is tributary to it, and it is indispensable to the whole country. Yet it is made the target at present for all sorts of political abuse, and various schemes have been urged for suppressing trading in stocks, all of which are of course chimerical, for as long as we have securities, there must, in justice to the millions of holders, be a market for them. Without it there would be a sort of chaos of confusion and abnormal prices, for it is the speculator who is often the most keen and discriminating in judging the true value of securities. The much maligned "bear" is the safety valve of the market. He often prevents the manipulation of the price of a stock to an unfairly high figure by exposing the weak points in the situation, which is a protection to a prospective buyer.

A great deal of shallow abuse is still being showered on the Stock Exchange from all parts of the country. This always follows a panic. It pleases a certain class of ignorant and misguided people to hear Wall Street denounced and maligned on every opportunity. It matters little whether the accusations are right or wrong. So pessimistic is public opinion that the worse the charges the more numerous the believers. No one

looks on the other side; no one is told of the manifold services and advantages of Wall Street as a financial center. No one is taught that Wall Street is merely a central market for capital, just as Chicago is for wheat, Boston for wool, New Orleans for cotton, etc. How many appreciate the fact that Wall Street is as essential to the business life of the country as is the Legislature at Washington to our political life? How many realize that Wall Street is the primary nerve center of the American business world; that a blow struck there is an injury to the whole financial and business fabric of the nation? How many forget that in Wall Street the investor can deal with greater advantage to himself, as a rule, than in any other financial market? How many understand that there the country can best settle its accounts; send its savings, and make its investments more readily and on better terms than anywhere else? The very individuals who most violently abuse Wall Street are often among the first to go there for financing new enterprises or to pick up cheap investments. Thither, also, these same grumblers hasten in order to "get rich quickly." When they succeed nothing is heard about the "wickedness" of Wall Street, and they flatter themselves as to their own superior shrewdness. But when these same individuals lose, then Wall Street is nothing but a "gambling hell and a cesspool of iniquity." They fail to recognize that their losses are the result of their own cupidity, or inability to discriminate between sound and unsound investments. They usually lose because of their own bad judgment; but nevertheless, there is no end to their objurgations.

Now Wall Street after all is little different from any other department of business and industry. Its makeup naturally includes men with similar failings and similar impulses to good and evil that exist everywhere; men who are better than the politicians who make capital by abusing Wall Street; men who are better than some of the trusts or the unions which aim to selfishly and often relentlessly grasp all within their power. It may also include a very few who unscrupulously manipulate property for their own advantage and at every opportunity. But it also includes a vast majority of men of high principles, of great foresight and of enlightened self-interest; men who recognize that their own welfare is dependent upon their regard for the welfare of others. Most of such men are rarely heard of, and their good deeds and honorable achievements are not exploited in the daily press, which is naturally interested in the search for the abnormal. Wall Street probably contains a much larger percentage of strong brainy men than any other community, because right there centers the management of large affairs and great organizations which demand the highest ability. True, Wall Street attracts some men of unscrupulous and predatory instincts because of the great opportunities for accumulating wealth by devious and often improper methods. The occasional flotation of questionable schemes and the improper use of funds held in trust undoubtedly are sometimes among the greatest evils connected with Wall Street. They are evils that its best men are most anxious to see eliminated, and it is satisfactory to know that strong efforts are being made in this direction. It cannot be too strongly stated that many of the

abuses which aggravated the late panic could not be repeated, and have been stopped forever. Whatever defects remain, the business standards of Wall Street are upon a distinctly higher plane than existed some time ago. In spite of troubles and pessimism the world is growing better and better. But so long as fools with money are to be found, just so long will there be sharpers ready to take the one and leave the other. It is useless to expect the millennium. Human nature changes slowly, and the only means of checking abuses is to establish rules and standards of a high order, and to keep alive a public opinion that will insist upon their enforcement. An alert and vigorous public opinion is often more effective in preventing evil than the punitive measures which are applied after the wrong has been done.

No king, on being crowned, was ever prouder or happier than I, when I first stepped on the floor of the New York Stock Exchange as a newly elected member. The pride that I felt at that time has grown and increased every year since that day, so long ago, as I have seen the Exchange grow in influence and moral power. There is no body of men in the world superior to the members of our Exchange in honor, integrity and truthfulness. Every transaction on the floor is done on word of mouth. Sales involving millions of dollars are consummated without a scrap of writing, and it is a rare occurrence that even a dispute arises over a transaction, and even then, unless a witness can be found to the transaction, the matter is settled usually by each party assuming one-half the loss, as both the buyer and the seller know that the other is just as square and honest as he is, and that the dispute is over a misunderstanding and not a misrepresentation. Many people are wont to worry over the nervous strain under which their friends in the Stock Exchange are laboring in busy times. Their worry is unnecessary, as the busy time on the "Street" is the happy time. Many people pretend to be shocked at the want of dignity which prompts the members to skylark and act like boys. Don't be shocked. This is the recreation which offsets the strain and keeps the members young. One of the most impressive scenes that can be witnessed is viewed from the gallery on the morning of a very busy day. At five minutes to 10 the members are seen quietly gathering in little groups around the different "posts," chatting and smiling—at 10 o'clock exactly a gong sounds which announces that business can begin. Every man on the floor commences to yell and paw the air, and one who did not understand would think that he was watching the working room of bedlam. But if he watches closely he will see that order reigns in seeming chaos. Automatic signals on the walls, quickly moving pages and telephone clerks in the booths at the side of the Exchange room, all work in harmony, and the great machinery "moves in a mysterious way its wonders to perform." Almost everything in the country, yes in the world, has its influence in this great market. The grains of wheat, the kernels of corn, the bolls of cotton, the chinch bug and the boll weevil: each has a vote. The miner deep in the bowels of the earth and the crew on a swiftly moving railroad train, the track walker and the laborer are all exercising indirectly an influence. All the great railroads and industrial corporations come to Wall Street in their time of

need, and if their object is worthy they do not leave with their wants unsupplied. Wall Street proper, as represented through the New York Stock Exchange, is the barometer of the country. Every man, woman or child who has a dollar invested or deposited in a savings bank is interested in the good or bad times which prevail in the Street. In times of great disaster or need, the members of the Exchange are the leaders in contributing to the relief of the afflicted. There is a lot of good in Wall Street that outsiders know nothing of; if you are one of them, find out the truth. Be sure to hear witnesses on both sides. Honor and truthfulness are the cornerstones on which the whole fabric of business in Wall Street is built, and confidence is the keystone of the arch that covers all transactions. The fact that a weak spot is occasionally uncovered proves the strength of the general structure. There is no place in the world where the measure of confidence between employer and employee is so large and where loyally to each other is so marked. In whatever business a young man intends to embark, a year or two in Wall Street is a good training, as he will learn much that will benefit him in after life. He would realize the necessity of close attention to work and the true application of the principles of the Golden Rule. In these times of reckless denunciation of Wall Street a general application of this rule by those who attack by innuendo and without a scintilla of truth would help to restore confidence and give evidence of fair-mindedness on their part. Men in high places prefer charges and the very wording of their complaint proves that they are beyond the depth of their knowledge. Wall Street will survive all attacks, and the refutation of these attacks by well-meaning but mistaken men will in the long ran redound to its lasting good. This is a time of trial by fire in both business and private life, and those who have nothing to fear will come out of it unscathed, and the New York Stock Exchange will be in the front rank of those declared guiltless and worthy.

Possibly there are a few abuses undiscovered on the Stock Exchange that should be remedied. Nevertheless, I affirm without fear of contradiction that there is no business institution in the United States where standards are as high or where the integrity of its members is equal to that prevailing on the Stock Exchange. Therefore, let the people and our Legislatures come to their senses, and awake to the fact that in striking at the financial district they are hurting themselves quite as much as those whom they seek to destroy, and that the evil transactions are small in comparison with the good. Let them understand that in fomenting discontent of this sort they are intensifying the general depression, adding to the number of unemployed, driving capital into hiding and generally interfering with that recovery in commerce and industry which is now so earnestly desired. The present antipathy to Wall Street savors largely of public hysteria, bogyphobia and political dementia. Apparently, it is a disease which must run its course; if so, the best cure will be a period of reflection in which to cultivate calmer and more rational views.

At the same time that Wall Street is being riddled with hot shot, the railways are being harassed by State legislation, involving low rates, and projects are on foot that in

effect would prevent their development to meet the wants of the people. All this is oppressive and inimical to the national welfare, and I advocate as a remedy removing the interstate railways from the control of the States, and placing them entirely under the control of the United States Government. This Congress can and should do promptly.

Another great difficulty the railways and other large employers of labor now have to contend with is the refusal or unwillingness of the Labor Unions to consent to a reduction of wages to meet reduced earnings. A lowering of wages has become absolutely necessary, for they are still at the high figures to which they were pushed during the long period of prosperity. They are at a boom level that railway and manufacturing corporations cannot afford to pay in these altered times. The Labor Unions should recognize this at once, and reduce their wage scales, and not wait until they are forced to yield. Moreover, they should see that with reduced wages a larger number of men could be profitably employed than is possible with wages as they are, and in this way the ranks of the unemployed would be reduced. This of itself would be of great benefit to both the working men and their employers, as well as to the country at large. It is a time when common sense should be brought into play in the adjustment of means to ends in wages as well as other matters, for the more it is the quicker will be recovery from the effects of the panic, and the less will be the suffering from industrial depression by labor as well as capital. This in the concrete means that it would result in there being fewer workmen in actual want, and fewer corporations going to the wall. It is one of the great remedies that the situation now calls for.

A general reduction of wages would to almost a certainty cause some mills that have closed to reopen, and cause others that are running on part time to run on full time. The advent of Spring will of course tend to stimulate recovery, so we shall have the help of Nature to repair damages. With Nature as an ally, we ought to rapidly overcome all obstacles in the way of complete recuperation.

Readjustment of existing conditions is the order of the day, and where there's a will there's a way, as we all know. The general reduction that has taken place in the price of commodities, and to some extent in rents, furnishes a very good reason of itself why wages should be reduced from the high points to which they climbed to meet high prices. As it is, the inequality between wages and prices is very conspicuous, and equality should be restored as quickly as possible. Equality is another name for justice. It is also the touchstone of taxation. Workmen should not forget that even half a loaf is better than no bread, and that by accepting reduced wages they are paving the way to better times for themselves as well as for the country. Then, too, they owe a duty to society at large. No one should be governed by the narrow, selfish policy of living for himself alone. This is a world in which we must give and take, and labor and capital have mutual interests.

The decline in commodity prices, that were before excessive, has been salutary and of vast benefit in bringing the necessaries of life within easier reach of the wage-earning masses, and in preventing many industries from going from bad to worse, through cheapening their supplies of raw material. The people generally, as consumers, benefit by this reduction in the cost of production, and in turn it tends to increase consumption and quicken trade and manufacturing enterprise. All these influences, too, toad to strengthen confidence in the situation and hope for the future. But the over-trading, extravagance and excessive speculation that primarily led to the panic should be carefully guarded against in the future.

The very severe and extensive liquidation that we have witnessed, not only in Wall Street but all over the country, has made the financial situation sounder and therefore safer than it has been for several years, for it must be confessed that many of our speculative captains of industry and finance passed far beyond the bounds of conservatism in their operations, and invited the crisis we experienced by their reckless assumption of inordinate risks and liabilities.

It was a fitting retribution when some of them were engulfed by it. Especially culpable and dangerous to the public were those speculative capitalists who sought and gained control of chains of important national banks, and then used their resources to extend their own hazardous speculative schemes. These men were really the immediate cause of the crisis, and they are now deservedly paying the penalty for it. But this is a small consideration in comparison with the enormous amount of havoc they created. One good thing, however, has come out of so much evil, and that is improvement in our banking condition, by the exposure and eradication of this unsound banking that prevailed in New York, and to some extent elsewhere.

We shall, in this generation at least, have no more such speculators stepping into control of large New York banks and using them pretty much as if they, their assets and deposits, were their own property. Those responsible for this unsound banking were public enemies, and we are still feeling the effects of their reckless and illegal proceedings. The fact that several of them are now under indictment for their offences is a reminder that the way of the transgressor is hard. Their elimination from the banking world removed a source of great danger, which might, if allowed to continue longer, have resulted in a far worse state of things than they actually created before their career was brought to a close.

A salutary effect of the panic is the check it has given to extravagance and waste in living expenses, and the practical lesson in economy that it has taught very many, for economy is wealth. To reduce expenses after business reverses is the best way to recuperate, and a little adversity is not without its uses among us, for we are beyond question the most extravagant people in the world. This extravagance in living has been the prime cause of much of the “graft” evil that has lowered the tone of our business and

political life, to say nothing of abuses of power, embezzlements, corporation-looting, and other forms of dishonesty.

President Roosevelt in his war against illegal and dishonest corporate practices has certainly worked for the good of the country and to raise the standard of business morality; and the life insurance, railway and other corporate scandals that we are all familiar with have shown how much reform and purification were needed even in high places. Let us never forget, as the Bible tells us, that "Righteousness exalteth a nation" however great may be its material prosperity.

That there is a very large amount of money lying idle and available for investment in first-class bonds was conspicuously shown by the result of the sale by the City of New York on February 14th of fifty millions of four and a half per cent bonds, when three hundred millions were bid for, at an average price of about 104¾. This oversubscription of six times the amount offered came from people who would not have touched any but gilt-edge securities.

Of course, the present cheapness of money accounts for much of this large New York subscription, as apart from investors, banks and bankers are seeking safe employment for their surplus, in securities that can be promptly marketed on the Stock Exchange whenever necessary. The latter is an indispensable condition with them, particularly now in view of the national banks being enormously indebted to the Government in the shape of Treasury deposits, and also in view of the future needs of the Government calling for their return. This is already giving a hardening tendency to time money.

Although trade is largely prostrated through inactivity, it is safe to say, notwithstanding what is bad in the situation, that fundamental conditions are generally sound, and therefore recovery while gradual will be the easier for it. Meanwhile with inactivity forced upon us, let us be masterly in our inactivity, and make a virtue of necessity. There is much in knowing when to stop and when to go ahead; when to 'bout ship and when to take in sail, and double reef the mainsail and the topsails, or heave to, and when to sail under bare poles or a full spread of canvas. Skillful navigation is necessary to success.

With regard to bank reserves, it is especially important during this period of depression that they should be kept exceptionally strong and as much as possible, within reasonable limits, above the required percentage. Twenty-five per cent of reserve against deposits in the central reserve cities, and especially in New York, is not always sufficient, as we have seen, from time to time, to enable the banks there to weather a storm.

The Bank of England maintains an average reserve of nearly twenty-five per cent larger than that; and it is guarded from suspension in times of panic by a suspension of the bank act by the Government, which allows it to issue its notes ad libitum without any

compulsory reserve. Here are two elements of safety. The stronger in reserve the banks keep themselves, the more confidence in them and in the situation will be strengthened, and the stronger confidence becomes, the more enterprise can build upon it. So the banks by their conservatism should do all they can to encourage confidence as the prime requisite in recuperation.

The New York banks, holding as they do largely the reserves of other banks throughout the country, should hold a reserve nearer to that of the Bank of England, which is also the depository of the reserve of other banks, but in a much larger proportion. If the New York banks had held thirty per cent reserve last October, when the Knickerbocker Trust Company failed, there might have been no necessity for issuing Clearing House certificates, and in that case there would have been no hoarding of money and little or no panic. But the banks are naturally desirous of making money by keeping their loans and discounts at high figures, so they are apt to look upon reserves above the legal limit as money wasted. The legal limit, however, is too low in the central reserve cities. My remedy is to raise it. It ought, in my opinion, to be at least thirty per cent instead of twenty-five per cent, and apart from any legal requirement, the New York Clearing House should adopt a rule requiring the banks in the Association to keep a reserve of thirty per cent. The banks would lose a little in profits by this change, but they would gain in safety, and reduce our liability to panics. Their experience during the crisis, when for ten weeks, until the end of December, currency loaned at a premium ranging from two per cent to five per cent, should make them anxious to avoid another such ordeal, and an ounce of prevention is better than a pound of cure.

One unpleasant part of the aftermath of the panic in New York was the failure in one week, at the end of January, notwithstanding that they held five millions of loan certificates, of four banks belonging to the Clearing House, because of runs on their deposits, and the refusal of the Clearing House to give them further assistance. Whether or not any of these will be able to resume is still undetermined. Yet, in sharp contrast with the excitement and alarm that prevailed for weeks after the Knickerbocker Trust Company failed, the public regarded these failures with apathy, and the recovery in the stock market which was then in progress, chiefly under the covering of short contracts, was not even checked by it, so much had sentiment changed in the interval. These failures had been practically discounted, large as they were, by what had gone before, including the decline in stocks. Yet collectively they had more than twenty-one thousand depositors. These may eventually be paid in full, but it is very uncertain when that will be, for the law is a slow coach, especially when a permanent receivership is fastened upon a bank, largely owing to the long wait usually necessary for the conversion of slow assets into cash. Moreover, the expenses of liquidation eat up a large part of the assets under the system of fees for receivers and their counsel, which have always been much too large for the work done, and consequently they involve injustice to the creditors. Laws should therefore be passed substituting for fees fixed rates of

compensation, per diem, for both of these, that is salaries; and meanwhile the courts should, under the existing laws, reduce their fees to reasonable amounts, and so correct this evil of extravagance in the cost of liquidation, which in some instances has been so excessive as to practically amount to robbery of the victims. This is a needed remedy that should be urged upon State legislatures.

Two of these failed banks are expected to resume within six months, while the other two will be wound up, and probably pay depositors forty per cent or fifty per cent of their claims within about that length of time.

Very fortunately, however, the crisis of 1907 was much less prolific of bank failures than that of either 1873 or 1893. In 1893 no fewer than one hundred and fifty-eight banks suspended, and of these sixty-five went into permanent receiverships, while eighty-six resumed within the year, and seven later. But few of these banks had a capital of half a million or more, their average capitalization being only $169,000. The banks generally in the fourteen years interval had gained immensely in strength as well as in number, and their power of resistance to the effects of the crisis, when it came, had been correspondingly increased.

While the profits of trade and manufacturing have been dwindling, prophets as to the future of business and prices have increased enormously, and they were never more numerous or more divided in opinion than they are now. Some of them point to the fact that with the single exception of steel, in the hands of the United States Steel Corporation, prices have declined, and they argue that unless demand increases they will, like stocks and wages, naturally go lower, and that the Steel Corporation will be forced, by the reductions already being made by the independent steel makers as well as by the heavy decline in iron, to follow suit. These also look for somewhat prolonged depression. But many other prophets are sanguine that we are already seeing the worst of it, and that commodity prices are about as low as they are likely to go. The true prophets are probably the conservatives who steer between these conflicting opinions and avoid both extremes. But whatever may come, on the ebbing or rising tide, of our business life, we should, as Longfellow says, “Learn to labor and to wait, with a heart for any fate,” and at the same time hold ourselves always ready to make the best of our opportunities as they arise, and, as America is pre-eminently rich in opportunities, we shall not find them waiting long. In any event, the wants of eighty-four millions of our people must be supplied, and we are the most progressive nation in the world. I therefore ask—Who’s afraid?

I am quite of the opinion that the time has arrived for calamity howling to cease; there is now no occasion for undue anxiety. Caution, however, may be necessary, especially in commercial operations. The worst of the financial depression has been seen, and the long-distance view is certainly more encouraging than at any time during the last six months. Business men have now no reason to feel otherwise than confident. I firmly

believe that recuperation will be quicker after the recent panic than was experienced after any of the previous great panics since the one of 1857.

Now is the time for the timid to develop bravery, for the strong to aid the weak, for the ignorant to be willing to learn from the wise. Let us all work together for the common good, and the upward tide will bear us all along towards better times and lasting prosperity. Panics come in cycles and it will be years before another one can strike us. Let the worker give his best services to his employer. Let the employer grant justice and fair pay to the worker and to all, and the nightmares and storms of the past year will be forgotten or remembered only as a lesson taught by experience, which will serve to teach us not to overdo in the future but to temper enterprise with conservatism.

CHAPTER LXXXV.

AMERICAN SOCIAL CONDITIONS.[11]

11. An address by Henry Clews, LL.D., to the students of Yale University, New Haven, Conn., November 1, 1907.

Mr. Chairman and Students of Yale University:

As you gentlemen of good old Yale are studying American social conditions, I am glad to have the opportunity of addressing you, and I congratulate you on the prestige you will derive from graduating at so great and famous a university. You are now on the threshold of American citizenship and have good reason to be proud of the prospect before you, with its unlimited possibilities.

Surely it is a privilege that you all value, and can hardly overvalue, that of becoming American citizens, and thus forming a part of this free and glorious Republic, where the gates of opportunity are thrown wide open to you, and the golden harvest of success stands ready to be reaped by the worthy and deserving, who are able and willing to do good work, and work hard in their chosen calling. I may reasonably predict that some of you will become leaders of thought, trade, science, literature or art, and that will be your ample reward. I base my prediction on the fact that you are not here because you are compelled to be, but because you have a thirst for knowledge, for information, or suggestions that may be of use to you in this connection, and are willing and anxious to work hard to attain what you desire. The first requisite to attain success in any form is this willingness to study and work for what you want, so, being equipped with this necessary quality at the start, you are prepared to make headway in the battle of life.

The pessimist is abroad in this fair land of ours, in these days, preaching the gospel of discontent, and a favorite text is that the young man has now no show, or little chance to get on in life. Do not be misled or discouraged by such a false doctrine. There never was a time when brains were at a greater premium than at present, nor courage, education, industry, and energy more requisite or in greater demand. The harder you have to struggle to complete your education, the better fitted you will be for that battle of life, for in your youth you will have attained victory over the obstacles which lie in the path of success. Disappointments may embarrass you, but you must conquer them,

instead of allowing them to conquer you. Every victory, thus won, will be an incentive to further efforts and achievements, and will provide a stepping stone to success.

Right here, let me impress upon you that the foundation stones of real success in life are industry, honesty, and truthfulness. These are jewels which every man can possess, if he cares to. Do not be honest because it pays, or as a matter of policy. Be honest because you are conscientious, and it is right to be honest and a reproach to be dishonest. A man who is honest and truthful in all things is the highest type of manhood, and commands respect in every walk of life.

While you are still young, I advise you to have an ideal. Make up your mind what you are best suited for, and strive with all that is in you to perfect yourself for the work of such a position or profession. While it is the almost universal desire to become rich, remember that there are other things in life more to be desired than great wealth. Whether amassed in Wall Street or elsewhere. Few of the great authors, scientists, professors, or inventors have been wealthy men, yet they were great public benefactors, and their names will live in the pages of history long after the very rich men of the world have been forgotten.

Learn well the history of your country. Study the science of Federal, State, and Municipal government. Study also finance and banking. Whether you go into Wall Street or not, it will be useful to you. Before you leave Yale, try to inform yourselves on all the subjects that will make you useful citizens, as well as competent, practical workers. School yourselves to be polite and courteous under trying circumstances. Politeness is one of the strongest allies one can have in his dealings with his fellow-men. It is not only so in my field of activity—Wall Street—but everywhere.

Read only good books. Libraries are now so plentiful that—even if you have not one of your own—good books are within the reach of all, and here at Yale you, of course, have an embarrassment of riches from the Greek and Latin classics to modern literature.

While you are improving your minds, take good care of your bodies. You are not yet too old for me to give you points. Exercise all you can in the open air. Cleanliness of body, and neatness of dress, even if you are not millionaires and your clothes are threadbare, will often be taken as a guarantee of good character. Be thrifty and economical, even if you cannot equal Russell Sage, and never get into debt, if you can help it.

Strive to learn to do some one thing, in the line of your studies, better than anyone else can do it, and you will have a specialty to recommend you to a chosen career. Whatever you attempt to do, do it with your whole soul—as Mr. Roosevelt, our strenuous and gifted President, says: “Buck hard and hit the center of the line.”

I have been much impressed with the manual training schools, which have recently been established in New York City. I wish that manual training could be added to the

course in every school and college. Mr. Booker Washington has ably presented the plan in his Tuskegee Institution, where every man to get an education must learn a trade, and every man who learns a trade gets an education. It is a substantial personal asset for rich or poor.

Because you live in a city, do not think that the country is less attractive, and has no chance to grow like a town. The State of Texas alone could give to every man, woman, and child in the United States a full-sized building lot 20 × 100, and then, allowing for public highways, have over one-third of the area of the State left for the production of food supplies. The West, the Southwest, and the South, are yearning for newcomers. Horace Greeley used to say: "Go West, young man!" The emigrants from foreign shores will some day realize that there is a welcome ready for them outside of cities. Colonies will be formed and men of intelligence will be needed to rule and advise the newcomers; and those of you who can speak a foreign language will be well fitted for such a position. But you may aspire to the United States Senate, or to become Wall Street millionaires.

The natural resources of our country are constantly being developed, and men of brains and courage will be sought to lead the armies of workmen. Every man cannot be a captain of industry, but a man of pluck and education need not remain a private in the ranks very long. Still, avoid that vaulting ambition that overleaps itself and falls on the other side.

Whatever your calling may be, try to become your own master in your younger days. Nothing will give you so much self-reliance as the habit of relying on yourself. You may possibly fail at first, but great successes are often built on failures, if the one who fails will profit by the lesson. Bulwer Lytton tells us that in the bright lexicon of Youth, there is no such word as Fail.

When you graduate, do not imagine that your education is completed. Consider that you are just beginning to be able to learn, and that your College life has simply been a period of training to put you in condition for the real struggle for knowledge. Practice makes perfect in all the professions.

See to it that you acquire some new point in knowledge every day that will be of future value to you. This will mean 365 good ideas acquired in a year, and every one of these ideas will be like money out at interest, or like seeds planted in good soil. They will blossom and bear fruit.

Do not believe that all men in politics are rascals, or weaklings, who can be bought for a price. If you have the inclination, get into political life and be a factor in the affairs of your district. Honest and truthful men will be most welcome in this field, and may be of great public service.

Do not be worried by the statements made by so many pessimists that society, and the country at large, are on the verge of moral bankruptcy. I tell you that the world is growing better every day, and good men are held in higher respect than ever. Of course there are more rascals, and more thieves, than there were fifty years ago, but that is because there are far more people. The percentage of bad to good is relatively smaller. Men who do wrong are found out oftener and sooner than they were in the olden days, and the news of wrongdoing is carried all over the land by telegraph and telephone and published broadcast in the daily papers. A hundred years ago a man might commit a crime a thousand miles from New York and we could not get the news of it in a month, even if it was sent at all.

Use all your endeavors to suppress the use of profanity or obscenity in public places or elsewhere. This is one of the crying evils of the day and our women are never safe from the insults of having to listen to talk that would not be tolerated in a first-class barroom. But of course the present company is excepted. You are all gentlemen and scholars.

Be cheerful under adverse circumstances. Ella Wheeler Wilcox expresses what I mean when she says:

"It's easy enough to be pleasant,
When life goes by like a song;
But the man worth while
Is the one who will smile
When everything goes dead wrong."

Whenever you see a chance to help a fellow-man who is not as well equipped as you are, give him a lift up. If you do so, *you* may forget it, but *he* never will, and you will secure a friend who will be looking for a chance to do you a good turn.

An old clergyman used to preach that true religion consisted in doing something good each day, so that when one went to bed at night, he could feel that the world was a little better, or some one a little happier, because he had lived that day.

Chemistry is going to play the important part in the next twenty-five years that electricity has in the past quarter of a century. Fortune awaits any man who can make use of waste material. Millions of dollars' worth of this is thrown away every year because the mind of man has not, as yet, been able to solve the problem of utilizing it. Students are now at work to this end and who can tell but one of you may be the man who will play an important part in this great work of discovering new sources of wealth and progress. If so, he will find a bigger gold mine than Wall Street.

Railroad magnates are on the watch for improvements and devices of any kind that will tend toward saving time, increasing facilities, lessening liability of accident, or

saving in cost of construction or equipment. Here is a broad field for action and for fertile minds to work in.

Copper metal is in such demand that the price has recently been higher than in a generation, namely, twenty-six cents a pound, and some cheaper metal may be found to possess qualities that will allow it to take the place of copper in a degree.

Surgeons and physicians now perform operations and effect cures that would have been considered miracles in my younger days, and still we find each year that they have much to learn. It is possible that I am now addressing some youthful savant, who will startle the world in the distant future by still more miraculous skill.

Wherever you go, whatever you do, keep your eye on the star of Hope. Every man has his place in the world if he can only find it. Opportunity knocks at every man's door at some time during his early life. Look sharp and secure it when it knocks at yours, and grab it before it flies.

But, to all I would advise that when you have found occupation, whether it is in the professions, or not, strive to please. Don't expect to sit in high places at once. Remember that most of you are in the junior class and can only graduate to a higher class by merit. Study well your surroundings and what is ahead of you. Carefully consider what may await you. If you see no evidence of a position worthy of your hopes, do not hesitate to make a change. It is better to change several times while you are young than to waste your time by remaining where you cannot expect to achieve success.

One of the fundamental principles of business is that civility costs nothing and always pays good dividends, both in and out of Wall Street. Very often the temptation will come to you in dealing with a nervous or cranky customer or client, to give vent to your wrath or impatience. My advice is don't. That is also *Punch's* advice to those about to marry. To succeed in holding and pleasing such a customer is a high accomplishment, and sure to attract attention.

The Almighty has endowed every man with two important allies, namely, courage and conscience. The latter can be blunted if not heeded and an elastic conscience is worse than a wooden leg. Be cautious not to enter into any deal or occupation when your conscience warns you that you are treading on dangerous ground; but, having made up your mind that you are in the right, press forward with all the energy that is in you. If you do not succeed, have the courage to rise and try again and renew the struggle. Nearly every man who has made a great success in business life has, in his earlier years, suffered reverses. These failures have been lessons that have taught him the way to win. You may often be temporarily discouraged by seeing success come to the dishonest and unworthy, but remember that such cannot command the respect of their fellows. There is more in life than "filthy lucre," although Wall Street prizes it

immensely. A contented mind is more to be desired than great riches, and, if you are poor, be independently poor. Andrew Carnegie says that to die rich is to die disgraced, so guard against that.

You are really now on the threshold of a new school—the school of Life. As the old forest guides were taught their wood wisdom by the rocks, the streams, the grass, the leaves, and kindred objects, so you will learn by actual contact with all the customs, rules, and complex situations of the business world, what to do and what to avoid.

Many young men are disheartened before they start in business by the fact that so many lines of manufacture are controlled by big corporations and trusts. As I have already shown, they hear the talk of the agitator and discontented that a poor man has no chance in life. Let me repeat that brains will always command a premium and that young men who have brains, backed by energy, will always be in demand. You must prove that you have these requisites, by good work, and you will find capital will seek to combine with such qualities. You may start in business, or the professions, with your feet on the bottom rung of the ladder; it rests with you to acquire the strength to climb to the top. You can do so if you have the will and the force to back you. There is always plenty of room at the top. The men now at the top have their minds and hands full, and are eager to delegate to smart assistants some of their work so as to ease the burden they bear. Success comes to the man who tries to compel success to yield to him. Cassius spoke well to Brutus when he said: "The fault is not in our stars, dear Brutus, that we are underlings, but in our natures."

Form the habit as soon as you become a money earner, or money maker, of saving a part of your salary, or profits. Put away one dollar out of every ten you earn. The time will come in your lives, when, if you have a little money, you can control circumstances; otherwise circumstances will control you. You may often have to practice self-denial to save ten per cent. of your earnings; but compel yourselves to do so and you will never regret it. Most of the leading men in business life to-day started out less well equipped with worldly goods or education than any of you. What they have done at least some of you can do.

See that the money you spend is well spent. By careful judgment in this respect, you will acquire a habit which will cling to you in after life. Many a man makes bad investments because he did not learn to be cautious in the beginning of his business career.

The improvements in the past quarter of a century have been marvelous and the end is not yet. There are many new ideas being formulated, and some of you may bear an important part in solving problems which will revolutionize the world. Electricity and chemistry are perhaps still in their infancy, and latent forces are floating around unknown to men. The next fifty years may indeed witness changes just as great and startling as we have seen during the last fifty.

I once advised young men to go as soon as possible into business. I have changed my opinion somewhat and think that it is well to get a technical training in a business at college where special courses are taught. I still consider, however, that if a young man is to enter Wall Street he will learn just as much by going into the Street as soon as he graduates, and I consider a large office just as good as any business college, where a pupil can learn by actual experience as well as he could by a theoretical course in a business college. Almost every man in a leading position in a banking house has started as a junior clerk and gradually worked his way up.

The term "Get the habit" has become quite a metropolitan by-word and brings me to speak on this subject, for the habits we acquire have much to do with our progress, and as Lamartine has truly said:

"Habit with its iron sinews
Clasps and holds us day by day."

In the various matters of detail that make up the sum and substance of business—considered as trifles by the foolish, but by the wise as important and vital—such as our methods of occupation, our time, and our manners, great care should be taken to acquire the sterling habits of industry, punctuality, and sobriety. The most watchful and jealous care should ever be exercised by you all in this regard. A single deviation from the straight path may mean much, for habit is not of sudden acquirement, but is formed (and also lost) act by act, thread by thread, as we progress in the journey of life.

If you hold a fiduciary position in a Wall Street banking house, or bank, remember that the information you acquire regarding the secrets and inside facts of the business of your employers belongs to them alone and must not be divulged or spoken of to anyone. Very often you will hear of "tips" being circulated there as inside information. Never put faith in such tips, as an employee who would give away the secrets of the firm he works for would be unscrupulous enough to lie to you, and I warn you not to make a close friend of such a person. Do not think that I look upon you as boys in tendering this piece of advice, but rather as a veteran addressing new recruits.

The trait of tenacity of purpose is very often a natural gift; but if you have not this persistence by nature you must cultivate it. For, with it, you can succeed, you can make difficulties bend, you can make opposition give way, and doubt and hesitancy yield to confidence and success. Without it, the more shining qualities of our nature will not insure your success, nor avert failure and disaster.

At the time the Suspension Bridge over the Niagara River was to be erected the great question was how to get the cable over. A kite was elevated, which, with a favoring wind, alighted on the opposite shore. To its insignificant little string a cord was

attached which was drawn over, then a rope, then a larger one, and then a cable; until the great bridge between the United States and Canada was completed.

First across the gulf we cast
Kite-borne threads till lines are passed,
And habit builds the bridge at last.

In like manner, my friends, our whole character is made up of little things, of threads and strands and ropes of habit. Let us be sure that they are always good and sound.

Next to the unwisdom of selecting and following bad or incompetent advisers in matters of business, there are also certain persons whom, if you wish to do well and make a fortune honestly, you should be careful to avoid. You will not always know them by their appearance; in fact, that is often the worst rule to go by, for they are generally well disguised. It is in their manner and conversation that you will find them out, and, that this be the easier, I have made a collection of their characteristics, as follows:

Avoid a man
Who vilifies his benefactor;
Who unjustly accuses others of bad deeds;
Who never has a good word for anybody;
Who, when he drinks, habitually drinks alone;
Who boasts of the superiority of his family;
Who talks religion downtown in connection with his daily business affairs;
Who talks recklessly against the virtue of respectable women;
Who runs in debt with no apparent intention of paying;
Who borrows small sums on his note or check dated ahead;
Who will not work for an honest living;
Who looks down upon those who do;
Who is always prating about his own virtues;
Who imputes bad motives to those trying to do good;
Who betrays confidence;
Who lies;
Who is honest only for policy's sake;
Who deceives his wife and boasts of it to others;
Who chews tobacco in a public conveyance;
Who gets intoxicated in public places;
Who partakes of hospitality and talks behind his entertainer's back;
Who borrows money from a friend and then blackguards the lender.

With a population of 85,000,000 people, which this country now has, it is easy to find associates in life without selecting men possessed of any of these characteristics, and life is the better worth living without them.

You will both save and make money by strict observance of this short catalogue of men to avoid. You are not called upon to do anything or to risk any money in the exercise of this discretion. It simply consists in letting such people severely alone, and if you have been in the habit of being imposed upon by such characters, you will find your happiness, as well as your cash, greatly increased by prudently avoiding them.

There is another subject of signal importance, to which I invite your earnest attention.

You must ever bear in mind that while, when you become citizens, you will possess certain rights and privileges—such as the elective franchise and equality before the law—there are, as well, sacred obligations and duties imposed upon you, as citizens, that should be faithfully regarded and performed.

To properly understand and appreciate these duties, you should, I reiterate, make a careful study of our system of government, and acquaint yourselves with the manner in which municipalities, states, and the nation are governed.

As you mature, attend political meetings and read and discuss economic questions of the day; for public discussion is one of the best quickeners of individual thought and expression. Be prepared, when the time comes, to actively participate in the affairs of your city and state as well as the nation, and stand always ready and willing to lend your aid to the uplifting of the government to the highest ideals of Democracy, or Republicanism, as you see them.

If I should add a further word of advice it would be an appeal to you to ever cherish, deep in your hearts, undying love of country.

Not only be ready to defend it with your lives; but constantly cultivate and encourage the inspiring qualities of civic pride and virtue, so that your whole future career will reflect a sincere and patriotic affection for and just appreciation of the noble institutions of our great republic. As, however, you are doubtless all true patriots this advice may be uncalled for.

Leaving, these few precepts with you, I wish to assure you that in whatever you may undertake, in banking, trade, or the professions, you will have my good wishes for your success, and if I have planted in your minds seed that will bear good fruit, it will add to the pleasure I have enjoyed in addressing you and giving you incidentally, as students of American social conditions, my experience of human nature, for, in your case particularly, the proper study of mankind is Man.

CHAPTER LXXXVI.

THE FINANCIAL AND TRADE SITUATION AND PROSPECTS.[12]

12. An address delivered at the Annual Banquet of the National Association of Cotton Manufacturers, at the Hotel Brunswick, Boston, on Thursday evening, April 16, 1908, by Henry Clews, LL.D.

In familiarizing myself with the history, scope, and objects of the distinguished organization I have the honor to address—The National Association of Cotton Manufacturers—I was impressed by the vast extent and importance of the interests it represents through its membership, which covers not only New England but the whole manufacturing world of the United States, to say nothing of foreign countries in which it has a notable representation.

Such an organization is obviously capable of exerting great and lasting power for good in the improvement and development of the cotton manufacturing industry in this country, and incidentally it cannot fail to benefit all our manufacturing interests, for there are ties, visible and invisible, that bind them all together in a bond of mutual sympathy.

How immense these interests are is almost beyond computation; but we may form some idea of them from the fact that the capital stock of the textile mills, print works and bleacheries represented by your Association's own members alone, aggregates no less than $334,500,000, without counting their surplus.

Your statistics further tell us that in these mills are 17,157,637 spindles, 1,472 sets of woolen and worsted cards, 5,849 knitting machines, and 67 printing machines. These figures are eloquently suggestive of the country's manufacturing enterprise and skill, which have kept pace with its rapid growth, and the progress of mechanical science.

Beyond all this, you have $400,075,000 more capital in the affiliated manufacturing industries of cotton cloth, cotton, textile machinery, mill supplies and the like, represented by your associate members. This, indeed, is a grand exhibit.

So your association is the representative of $734,586,000 of capital, a large item in the national wealth of the United States. But, great as it is, it will continue to grow with this great and ever-growing nation, and with it will come still further improvements in mechanical processes, methods and machinery, and a far wider foreign market for our manufactures, especially in the Orient and South America, where the British and the Germans have dominated trade in the past.

This association in its work for the advancement of cotton manufacturing interests, and particularly in the promotion of their commercial relations, and whatever relates to improvements in manufacture, is a valuable ally of the motive power that turns the wheels and runs the machinery of the mills; and I congratulate you on being united for a purpose so conducive to both the prosperity of a great manufacturing interest and the national welfare.

I will now turn to the main subject, the financial and trade situation, present and prospective, in which I find much that is encouraging and favorable to a general betterment of conditions from this time forward.

With regard to business conditions and prospects, the general sentiment of both Wall Street and the rest of the country is optimistic, and to this may be attributed the extensive recovery of the stock market that has already taken place since the crisis that began in October. Although the dealings in stocks have been very largely professional, the improvement reflects the confidence in the situation of the rich Wall Street men who have led the movement, and confidence, like distrust, is contagious.

The absence of any considerable buying by the outside public has been conspicuous, but so also, since the end of 1907, has been forced or voluntary liquidation. Hence, there being no pressure to sell actual stock, it was easy for the powerful bull party at work to advance prices against the short interest, which was very large; and the bears were driven to cover their contracts at a heavy sacrifice of their previous paper profits. But, like the poor, the bears are always with us, and their expressed views as to trade conditions and prospects are, of course, as pessimistic as those of the majority are the reverse. But the majority rule, and Wall Street never fails to discount the future. It is the great financial barometer of the United States.

Leaving sentiment aside, there is ample scope for differences of opinion as to the exact situation and the future, so conflicting are the reports that come to us. In some sections, and some industries, very different conditions are reported than those that prevail elsewhere, and bankers, merchants and manufacturers in the same towns disagree as to things as they are.

This shows that we are in that uncertain transition period which always follows panic; and how long it will last, is the problem that business men all over the country are now trying to solve. Meanwhile the rise in stocks, which has been encouraged by

the banking interest largely for the sake of its influence in promoting confidence among the people of all classes, may fairly be looked upon as the precursor of substantial improvement in general business.

Yet, however much we may hope for quick recovery from the effects of the crisis, we should always look unfavorable facts squarely in the face, for self-deception is the worst kind of folly. We must consider the worst, as well as the best, features of the situation, in order to gauge it correctly; and the reduction of ten per cent. in the wages of cotton mill operatives in New England, and the working of many cotton, woolen and other mills on part time only, and the shutting down of others, shows how much manufacturing industry there, as well as elsewhere, has been affected by the severe ordeal we have passed through.

But, so far as the banking institutions were concerned, Boston enjoyed a larger degree of immunity from trouble during the crisis than any other city, a fact that bears testimony to their soundness and conservatism. Boston may, therefore, well pride herself on this memorable circumstance, the result of good banking and good business methods. She had, fortunately, no speculative capitalists with chains of important banks under their control, as New York had.

The crisis accomplished one good thing, and that was the sweeping away of this unsound banking, which had become a menace not only to New York, but to the whole country.

The best banking authorities believe that actual business improvement is already making headway, although there is no uniformity in it, the recovery in some places, and some lines of business, being decided, while in others it is barely visible. Thus the Southwest, and its great distributing center, St. Louis, report a larger degree of betterment than any other section, while Chicago, like the Eastern and Middle States, reports comparatively little.

In the present stage of recuperation, the wage problem is forcing itself more and more upon public attention, and especially upon that of mill owners and the railway companies. The urgent necessity the railways are under of reducing them, to offset reduced earnings, is met by the unwillingness, or refusal, of the men to have them reduced. They have been encouraged in this attitude by President Roosevelt's action, and now the labor leaders are urging Congress to legislate in support of their position. But Capital has its rights as well as Labor.

The railway companies, as an alternative to reducing wages, have proposed an increase in freight rates, but shippers are up in arms against this, particularly manufacturers; and the authorities of the States, as well as the Interstate Commerce Commission, signified their opposition to it. The railways, meanwhile, have kept pace, as far as practicable, with the contraction of traffic, by discharging large numbers of

their men. In this way they have materially reduced their expenses, while they report increased efficiency by the labor still employed, every man in these times being anxious to hold his place by doing good work.

That is to say, jobs being now scarce, men want to keep their jobs instead of being "laid off," as the phrase is. This of itself is a wholesome effect of hard times.

The labor problem is one of peculiar difficulty, and substantial, permanent improvement in trade and securities will not be seen until there has been a complete readjustment of commodities, prices and wages in accordance with the altered conditions. To insure steady work for labor, and a fair profit for employers, why would it not be wisdom for the labor union leaders to agree to a contract to last for the coming four months only, consenting to a reduction of 20 per cent. in wages?

Readjustment is a harmonizing process, and harmony promotes recovery and the full development of our powers and resources. This is what the business situation imperatively calls for now, and all business men should do their best to foster it, and so work together as a unit, for in unity there is strength. We have an example of it in our United States.

The cotton goods industry in New England has, I know, been much more severely depressed by the crisis than was at first thought possible; but, fortunately, the losses sustained will be the more easily borne because of the large profits of previous years. Notwithstanding the cuts made in standard goods, the demand for them is still abnormally light, and hence stocks are accumulating in the face of the heavy decrease in production.

No wonder, therefore, that those most intimately concerned are more or less at sea as to how long this depression will continue, and what the results will be. They see certain grades of goods that were selling at 8⅜ cents a yard just before the panic now being offered at 5½ cents, and this is an object lesson that tends to make even the most optimistic of them a trifle blue for the time being. But this is precisely the time when courage and confidence in the situation are most needed. I give you all credit, however, for being equal to the occasion.

With eighty-five millions of our own people to clothe—to say nothing of the rest of mankind—manufactured cotton products will before long be in demand again at rising prices, for civilization demands clothes in hot weather as well as cold.

Meanwhile, endurance is called for, and will doubtless not be found wanting, except where special circumstances impose limits to it, and we all know that patience is a virtue.

Recovery to normal conditions will, of course, be gradual, and it is better that it should be so, to ensure permanence. In the meantime, it will be a relief to the dry goods

trade when sales are no longer extensively made by cutting under quoted prices more or less sharply.

The bold, and even aggressive, action of the American Federation of Labor in going to Washington and making demands upon Congress, and criticizing not only the laws but the decisions of the Supreme Court of the United States, puts a new and serious face on the old contest between Labor and Capital. It arouses some apprehension as to the lengths to which Labor will go, and how far its political influence may enable it to accomplish its purposes. Politicians are ever ready to show subserviency to Labor, merely for the purpose of gaining votes for themselves.

We all want to see justice done to Labor, but we also want to guard against injustice being done to Capital by Labor, and Labor's resistance to a reduction of wages to correspond in some degree with the decline in the earnings and profits of those employing it, is a practical injustice to all those outside the ranks of organized labor.

The readjustment of wages to existing conditions is, therefore, of the first importance and should be first to receive serious consideration, with a view to harmonizing both sides, and a prompt settlement. Half a loaf is better than no bread, for both Labor and Capital, and it is not to the interest of either to kill the goose that lays the golden egg. Their interests are mutual, but Labor is posing as if they were antagonistic. It has often done this before, but never more conspicuously than now.

With respect to our foreign market for cotton goods, there is plenty of room to widen it, but our exports of these, in competition with England, Germany and other countries, are more or less checked by the high price of labor here, and its comparatively low price there. Hence we should constantly endeavor to overcome this disadvantage by keeping ahead of the rest of the world in labor-saving devices, and improvements in machinery and manufactures. We should try to surpass all Europe in the quality, as well as the cheapness of our goods.

As we are the most inventive of all nations, and the quickest to adapt ourselves to new or altered conditions, we shall doubtless find this feasible, if not an easy task, whereas England, our greatest competitor in manufacturing, is proverbially slow in changing machinery.

I once asked Mr. Andrew Carnegie what was the mainspring of his phenomenal success as a manufacturer of iron and steel, and he replied:

"I always kept foremost in making improvements in my machinery and methods of manufacture. Whenever a new invention that I could use was patented, I secured it at any cost, and so kept in advance of all my competitors.

"At one time I had two million dollars' worth of new machinery that I was about to install, but a man came to me with an improvement in it that he had just patented, and I

bought his patent and adopted it. In doing this, I had to cast aside, as old material, the two millions' worth of new machinery. But the improvement recompensed me many times over for what I had sacrificed to make the change."

It is in promoting improvements in manufacturing processes and machinery that this Association, apart from its general utility, can be of great and permanent value to the cotton mill industry and kindred manufacturing enterprises. Ready adaptability of means to ends is as important in manufacturing cotton sheetings, and the other products of the loom, as in every other business and everything else.

I remember that in conversation with Admiral Sir Charles Beresford, of the British navy, when he was visiting New York, he told me of an instance of American adaptability to circumstances, that he noticed while in China. The Chinese had been long complaining of the want of sufficient width in a certain grade of British cotton fabrics that they were using and they had asked the English agents from time to time if they would increase the width. But nothing came of their expostulations and requests, as the agents, after writing home, told them the Manchester manufacturers said they would have to alter their machinery in order to give them the desired width, and this could not be done.

But the agent of a large American dry goods house, with extensive cotton mill interests, arrived at Shanghai, and hearing the complaint of the Chinese, he said: "Give me your order and you can have whatever width you want," and he got the order. Sir Charles added: "So, you see, you people are smart and give them what they want; besides, you make your cotton goods heavier than we do and the Chinese like them better because they wear longer, for when the Chinese put on such clothes they never come off until they rot off." Here was an instance of ready adaptability to the occasion and market needs by an American, which the English lacked.

An illustration of the importance of scientific investigation with a view to the discovery of new elements and processes in manufacturing, is found in silkine, a fabric closely resembling silk, which has come into popular use. It resulted from the discovery that the mulberry and other trees on which silk worms feed possess properties that could be extracted and utilized, to a certain extent, in the production of a silky fibrous material which in combination with fine Egyptian cotton, made a cloth so closely resembling silk as to be possibly mistaken, except by experts, for the silk of the silk worm. Here theoretical and practical science were happily combined with mechanical skill to produce an entirely new material, and doubtless there are many similar opportunities awaiting discovery. This Association by stimulating such investigation in mechanical science may achieve even greater results than it anticipates.

The world's markets offer a most magnificent opportunity for the enterprise of American cotton manufacturers. We grow four-sixths of the world's crop of cotton but manufacture only one-sixth. That is to say, we export three-fourths of the cotton we

grow, leaving England and Germany to turn the fibre into yarns and fabrics for other countries in all parts of the world. A much larger share of this foreign trade ought by right to come to the United States, for the foreign market offers a field vastly larger and quite as profitable as the domestic field, if the extraordinary profits of Lancashire spinners during the past few years are to be taken as an index.

Last year Great Britain exported cotton goods valued at $500,000,000, while our exports of cotton manufactures were valued at only $26,000,000. During this same period Great Britain exported 6,298,000,000 yards of piece goods valued at $400,000,000; our exports meanwhile being only 216,000,000 yards at $15,000,000. Here, then, is a field for our best ambitions and skill. We cannot forever endure the sight of seeing other nations manipulating our raw product at enormous profits, a goodly portion of which should remain for distribution on this side of the Atlantic.

There is one respect in which the New England cotton industry much impresses an outsider. Your industry, I am glad to say, is, and always has been, remarkably free from the evils of promotion and speculative enterprise. Furthermore, it has most fortunately not been inoculated with the fever for trusts and consolidations; although I happen to know that such projects have from time to time been presented to your consideration. Perhaps your refusals to entertain such propositions thus far have been due to conditions peculiar to the industry; yet I venture to hope that it has been not a little due to the strong spirit of individualism which is one of the best characteristics of the New Englander; a characteristic which I trust will be cherished for generations to come, because it is a most wholesome and necessary check upon the paternalistic tendencies of the day. One beneficial result of this policy is that the cotton industry is adapting itself to the new conditions following the panic with much less friction than in other industries. You have lowered prices, curtailed production and diminished costs in order to stimulate a revival of consumption in a manner that promises to make you among the first in completing the process of readjustment. When recovery begins the cotton trade ought to be among the first to feel reviving influences. While other industries have been using or misusing their newly acquired powers of combination to resist natural tendencies, or to squeeze out dividends upon grossly watered stocks, you have squarely faced the new conditions and trimmed your sails accordingly. I have no doubt, therefore, that, with your mills honestly capitalized, you will soon be going along safely and comfortably in smoother waters when the trusts will still be struggling against adverse conditions simply made worse by foolish resistance to economic laws.

The most encouraging feature of our business situation now is the prospect of an unusually large wheat crop, winter wheat being in extra fine condition, and spring wheat having been planted under the most favorable conditions, owing to the season for farm work being three weeks earlier this year than last. The planting of other crops has also

been facilitated by good weather, and altogether the agricultural outlook, at this date, has very rarely been so promising of bountiful results.

This is a great national blessing, for the foundation of our national wealth is our crops. Agriculture is indeed the great source of both our national and international strength. It was almost entirely from this source that we were enabled, from a merely nominal sum last August, to build up a foreign trade balance of 521 millions of dollars in the first eight months of this fiscal year, and the large preponderance of our exports over our imports still continues, and will make the balance in our favor at the end of the year one of unexampled magnitude.

This curtailment of our imports, especially of luxuries, has made the shoe pinch in Europe, for we had been Europe's best foreign customers. But, naturally extravagant as we are as a people, we can economize with as much ease, celerity and determination as we can spend, when the necessity to do so arises. So we are at present economizing on a grand scale and with great success.

We have only to consider our unlimited sources of national wealth, however, to see that the prospect before us is one that should inspire absolute confidence in the gradual return of prosperity in all directions. Let us bear in mind that our agricultural products yielded us last year, as the returns of the Department of Agriculture show, $7,400,000,000.

Mining and manufacturing were the next largest sources of our national wealth. The metals mined yielded $3,000,000,000, and this metal product was converted by manufacturing into materials that had a market value of fifteen thousand millions of dollars. Thus the agricultural products, metals mined and metals manufactured, in the year, had a value of $25,400,000,000. We may, therefore, well and honestly say that this is a great country. "Long life to it!" as an enthusiastic Irishman was once heard to exclaim. "By jabers, it can't be beat!"

The market for raw cotton has, of course, been handicapped by the depression in the cotton industry, and the efforts of the Southern planters to advance the price of the staple very materially by holding it back instead of marketing it, have failed, as they deserved to fail. Cotton is now lower than it was during the crisis, and about as low as at any time in this crop year, being 300 points, or 3 cents a pound, below the season's top notch. But cotton is still king in the factories.

This decline is equivalent to $15 per bale, or a hundred and eighty million dollars on a crop of twelve million bales. So spinners and spot buyers in general have not for two years had so good a chance to purchase for summer and autumn delivery, and advantageously cover their season's requirements as they had last month and this. But spinners have taken more than a million bales less of this season's crop since the first of September last than in the same time in the previous year.

The Census Bureau in its final report for the season tells us the total crop ginned up to the first of March last was 11,261,163 bales, including "linters"; and it estimates that 127,646 bales remained unginned on March 1. Allowing for the usual under-estimating of the cotton ginned in the reports to the Government, it follows, from the figures, that the spinnable cotton from the last season's crop will aggregate no more than 11,500,000 bales. This is with the average net weight of a bale, 501½ pounds.

The statistical or technical position of cotton is therefore bullish, notwithstanding the very large falling off in consumption and the requirements of spinners, this year, both here and in Europe, as the indications are that there will not be a very heavy or unmanageable load of cotton to be carried over into the new crop year, which begins on the first of September.

One very hopeful sign of the times is the check that has been given to radical state legislation concerning railway corporations by the Supreme Court of the United States, declaring the rate laws of Minnesota and North Carolina in certain respects unconstitutional. The decision practically denies the right of a State to enact and enforce rate laws against interstate railways. This takes the wind out of the sails of a good many Western and Southern political agitators, and makes the State courts more definitely than ever subservient to the Federal Courts. The clash as to jurisdiction between the two courts which we witnessed in the South last year is therefore not likely to recur.

The decision was based mainly upon the unreasonable penalties prescribed by the North Carolina and Minnesota statutes, but it sustains beyond all question the contention of the railway companies, which are now held to be at liberty to refuse to obey any State law reducing rates upon their making affidavit that it would reduce their earnings to an unreasonable extent. Upon such an affidavit a judge of the United States Circuit Court can order a suspension of the operation of the law until the law can be shown in court to be reasonable.

This is a protecting bulwark against radical and confiscatory State legislation, resulting from the inflammatory appeals of demagogues. By protecting the railways it protects investors, and adds to the security of railway property, which, in turn, strengthens confidence in that property, and confidence is what is most necessary to recuperation. Let us therefore help to increase it.

It is the desire to promote confidence, and clarify the business situation, that has inspired the recent utterances of President Roosevelt, and dictated the course of the Federal law department. This is commendable and has had a good effect.

The most spectacular event of the crisis, and its most sensational starting point, in New York, was the failure of the Knickerbocker Trust Company under a wild rush to withdraw its deposits on the 22nd of October, 1907, and the subsequent suicide of Charles T. Barney, its president; and the most satisfactory event in its later career was

its resumption of business on the 26th of March, 1908, after many trials and tribulations. On that day, too, it received $1,500,000 of deposits more than it paid out, a remarkable contrast to the heavy run before the suspension. This, and the almost simultaneous payment in full of the depositors of the Oriental Bank, a New York State institution, were reassuring influences that did much in helping to pave the way to general recovery, and stimulate the rise in the stock market, which of itself had a good moral, if not material, effect upon the business situation.

It was not till the fourth day after the Knickerbocker's suspension, namely, on Saturday, the 26th of October, that the New York Clearing House committee decided to issue Clearing House certificates to the banks in the Association needing them to pay their Clearing House balances. Then their issue against satisfactory collaterals deposited with the Clearing House, began at once. This was the signal for every other clearing house in the country to do likewise simultaneously.

On the same day the detailed weekly bank statements were suspended, and these were not resumed till the 8th of February, 1908. Meanwhile a hundred and one millions of the Clearing House certificates had been issued and redeemed, except some that were held by the National Bank of North America, the Mechanics and Traders Bank, the Bank of New Amsterdam, and the Oriental Bank, which had all failed. But these were all redeemed before the end of March.

It was in the third week of November that the issue of Clearing House certificates reached its maximum. But the banks had reached their largest deficit in reserve in the first week of November, when it rose to $54,100,000, a prodigious amount of which the public was in ignorance.

In Boston at the same time your banks had taken out $11,995,000 of their own Clearing House certificates, but this total was never increased. After that the banking situation all over the country was slowly on the mend. But, owing to the partial suspension of currency payments by the banks, caused by runs and hoarding inspired by the use of clearing house certificates, currency and gold commanded a premium in New York ranging from 1 to 5 per cent. This premium was current from the time the certificates were first issued till the end of December, 1907. The hoarding of money was, meanwhile, enormous. After that the premium became suddenly a thing of the past, and hoarded money was rapidly deposited with the banks.

It is noteworthy that in the panic of 1873 the New York Clearing House issued only $26,565,000 of certificates, and in the panic of 1893 only $41,690,000. But these figures merely show how very much smaller New York's banking capital, deposits, and loans were in those years than they are now.

The throwing out of employment through the effects of the panic of large numbers of men, most of them of foreign birth, resulted in a larger exodus of steerage passengers to

Europe than was ever before known, these aggregating 114,078 in the first two months of 1908, while only 50,601 immigrants arrived here during those months. The outward rush commenced in November and it still continues with little abatement. But as a safety valve for unemployed labor it is perhaps to be welcomed for the time being, as it reduces the ranks of the unemployed, and when the labor of these aliens is again in demand they will return as fast as they went. They know on which side their bread is buttered.

Immigration is, however, no longer as necessary to this country as it was in pioneer times. Our aim now should be to keep out undesirable immigrants, particularly anarchists, Black Hand Italians and Armenians, and rabid socialists who come here to make trouble, and preach doctrines of equality and confiscation, entirely inimical to American institutions and national as well as individual progress.

I now come to the markets for stocks, bonds, and speculative commodities, and the recent indiscriminate attacks upon them by Mr. Bryan and others both in and out of Congress, as hotbeds of what they call gambling.

As one of the oldest members of the New York Stock Exchange I can, from my long experience, testify to the integrity and high character of its membership, and the strict discipline of that Association over those composing it. Any breach of its rules, any deviation from the line of fair dealing, or anything prejudicial to its interests, is promptly investigated and as promptly punished, when proved to the satisfaction of the Governing Committee, by fine, suspension, or expulsion. But it is very rare for a member to be either charged with or found guilty of chicanery of any kind.

It is therefore unjust and outrageous for Mr. Bryan and others who have denounced the New York Stock Exchange to call it a gambling arena and its members gamblers. They are brokers in a free market, a market open to all the world, and they are ready to receive and execute orders from all the world, and whether or not these orders are for investment or speculative account, it is not for them to inquire. Still less is it for them to discriminate against speculation, when speculative far more than investment dealings are the life of every stock exchange in the world. A stock exchange to have any value must be a free market.

Speculation in stocks is no more gambling than speculation in real estate, or merchandise, although different in degree, but there may be excesses in speculation as in everything else. The stock exchange as a body should not, however, be held responsible for the excesses of individual speculators, or for the dishonesty of men who embezzle in order to get money for the purpose of speculating. Gas should not be blamed for causing the death of a man who deliberately locks his room door, shuts his windows tight, and turns on the gas to die.

Those who know Wall Street well, as I do, know how false a view of it Mr. Bryan and others, including certain members of Congress, have given to the public. If they really had known Wall Street well, and had any conscience, they would not have said what they did say. They have misrepresented it grossly and unjustifiably, and in their moralizings upon it they have not reasoned, but ranted.

Some of them have even advocated the entire elimination of the Stock Exchange. They would thus invite financial chaos and leave investors, the banks, insurance companies, and all other corporate holders of stocks and bonds practically without a market for their securities in which to either buy or sell. This would be putting back the hands of the clock of progress with a vengeance. It would be going back to the wigwam and the canal boat, but of course it would never be tolerated and therefore be impossible.

Yet this slandering and mudslinging campaign by representatives of both the great political parties for political effect is none the less injurious and reprehensible because it can never have any substantial result, much less the destruction of Wall Street. It is scandalous abuse of which we may have more before the November election, but it is already high time that it should stop in the interest of truth and justice and the public welfare.

These assailants of the New York Stock Exchange would also abolish all other stock exchanges, and the Chicago Board of Trade, as well as all the other grain and provision exchanges, and all the cotton exchanges in the country that deal in futures. Perhaps they are not aware that the farmers and planters of the West and South derive, or can derive, great benefit from having a free market for "futures" open to them, for it enables them to sell their crops before they are harvested, if the prices are satisfactory and they want to make sure of them. This applies also to the Coffee Exchange and importers of coffee.

To drive dealings in time options from the Produce and other exchanges would be to drive them to Canada, Liverpool, and London, and let the markets there make prices for us, instead of making them for ourselves, all of which shows the absurdity of this clamor against speculation in stocks and speculative commodities. Speculation is thus stigmatized as gambling with no more reason or justice than the inevitable risks of ordinary mercantile trade could be called gambling, for no one can engage in trade of any kind without taking risks.

Now that the storm of the crisis has passed away, and the investigation and prosecutions that have taken place have laid bare the corporate evils that were rife among us, including railway rate rebating and various forms of looting and wholesale graft by controlling capitalists, we have come into a purer business atmosphere. Corrupt, plundering, and law-breaking officers of banks, and railway, insurance, and other large corporations have, in many cases, been exposed and shown the error of their ways, and we have in consequence a higher business morality than we had before we

passed through this ordeal of purification. In other words, the house cleaning we have had has done us good, and this of itself is a compensation that can hardly be overrated in its future influence. Banks and trust companies and railways, insurance, and other corporations have been freed from much unsound and dishonest management, and also loose, grafting and speculative practices, and we have in their place that higher moral tone which is safeguarded by greater publicity of accounts and more rigid official examinations under new and stricter laws than ever before.

Thus temptation to chicanery and other corporate wrongdoing, and abuses, by those in control of corporations, is largely reduced, and this is important, for an old proverb tells us that opportunity makes the thief.

Good grounds for an optimistic view of the situation and the future, you will all acknowledge, can be found in our unequaled and immense natural resources and their uninterrupted development. These and the enterprise of our people and our free institutions and popular government, which makes us all sovereigns in our own right, are national blessings. They fortify our national life, and leave our splendid growth and powers of achievement unchecked; and our wonderful progress in the past will no doubt be eclipsed by our still greater and grander future, with the United States of America the foremost nation in the world.

In all this progressive movement the cotton and other mill industries of New England, and the rest of the country, will share; and in this natural and legitimate expansion, gentlemen, you and your successors may look forward to, and find, the potentiality of wealth beyond the dreams of avarice, as Andrew Carnegie did in Pittsburg. From such a great American object lesson for manufacturers as Carnegie, you should all derive a vast amount of encouragement, and that hope that springs eternal in the human breast.

CHAPTER LXXXVII.

PEACE ASSURANCES FROM JAPAN.

ASSURANCE FROM VISCOUNT KENTARO KANEKO, THE EMINENT STATESMAN OF JAPAN, THAT BELLIGERENT REPORTS ARE GROUNDLESS.

FABRICATIONS, HE SAYS, OF SENSATIONAL NEWSPAPERS.

NO APPREHENSION IN EMPIRE OF ANY DISRUPTION OF FRIENDSHIP EXISTING BETWEEN THE TWO NATIONS.

Declaring that all talk of trouble between this country and Japan is the outgrowth of "pernicious fabrication on the part of sensational newspapers," Viscount Kentaro Kaneko, who was special Ambassador to the United States from Japan during the Russian-Japanese war, has written a reply to a letter addressed him by me, in which the latter, under date of December 5th, last, expressed the hope that no difficulties might arise between the two countries which could not be readily and amicably adjusted.

Viscount Kaneko, whose elevation to his present title and whose appointment as adviser to the Emperor on all things American, came close upon the heels of the close of the struggle with Russia, besides is one of the present eminent Statesmen of the Empire. During General Grant's first term, he was a member of a commission sent here to study American finance. Prince Ito was the head of this commission and I acted as friendly adviser, at the request of General Grant, then President. This commission afterwards went to London, Paris, and Berlin, and made a similar investigation of the financial systems of each of those nations, and on their return home, via the Suez Canal, they made a full report of their mission and in it strongly recommended their government to adopt the American system, which was promptly done, and I was appointed by the Japanese Government special agent to aid in carrying out their new financial system. I awarded the contract for the engraving to the Continental Bank Note Co., of New York,

on their successful competitive bid, and after all the work of establishing their new financial system was accomplished I received a flattering commendation from the Secretary of the Japanese Treasury for my services in the matter and a very handsome pair of Japanese silver vases as a souvenir accompanied same.

My letter, which was sent when reports of impending trouble with Japan were numerous, is as follows:

December 5, 1907.

MY DEAR VISCOUNT:

It gives me infinite pleasure to congratulate you on the bestowal of your present very great title by the Emperor, knowing as I do that it is so richly deserved. No one in this country can bear stronger testimony of your untiring vigilance and masterly efforts in the work you had on hand in this country during your war with Russia, and the marvelous success which crowned your exertions. No one of your nation who has visited this country made more or stronger friends than you did amongst our people, and we are all hoping that the time will come when you will return as Ambassador. It would indeed be an appointment for the benefit of both nations, and would do more than anything I can think of to strengthen the long-existing friendly relations between the two peoples. There are occasional rumors of our relations being strained, but they originate, I am quite sure, in either Russia or Germany, owing to a desire in some quarters to disrupt the friendship. You can rely upon one fact, however, that if there is ever a severance, which God forbid, it will not emanate from this side.

Faithfully yours, HENRY CLEWS.

VISCOUNT KANEKO'S ANSWER.

MY DEAR MR. CLEWS:

Your kind letter of December 5th reached me a few days ago and I am infinitely obliged to you for your hearty congratulation on my recent advancement to a higher rank for a modest service which I was able to render my Emperor and country during the late war. In performing the duties which were entrusted to me during my sojourn in your country, what little I was able to accomplish was due to the kind encouragement and assistance which the friends in America so unsparingly gave me. and in this connection I assure you that you share the largest part of it.

You mentioned about the so-called strained relations between America and Japan. It is really a pernicious fabrication of sensational newspapers, and I am glad that you seem to believe it to be so too. So far as I am aware there is nothing of a serious nature diplomatically pending between the two countries. It is absolutely groundless, therefore, even to imagine, as some alarmists would have us believe, that there may be a possible disruption of the friendship which has been cemented so firmly ever since this country was introduced by America to the family of civilized nations in the world. I assure you that every one of our people on this side of the Pacific is keenly alive to the gratitude we owe you, and I think it most remarkable that nobody in this empire seems to entertain, even to the slightest degree, any apprehension of a breach of the friendship. Such a thing never comes into our head. Again thanking you for your courtesy,

Sincerely yours,

(Signed) KENTARO KANEKO.

TOKYO, JAPAN, January 21, 1908.

I have kept up a correspondence with Prince Ito and other Japanese Statesmen ever since I was first associated with them thirty-seven years ago. The letter from the Viscount spoke for itself and showed the utter nonsense of sensational reports.

I also wrote to Marquis Ito about the war rumors as follows:

December 5, 1907.

MY DEAR MARQUIS:

Notwithstanding the frequent rumors that have of late sprung up, both in this country and Europe, to the effect that the long-existing friendly relations between Japan and America are becoming strained, I think I am in a position to know that there is not the slightest foundation therefor, so far as we are concerned. There has been, however, a vicious motive in their circulation, and it is quite dear to my mind that they have had their origin in, and are disseminated by people in Russia and Germany, the wish being father to the thought. For some reason or other they seem particularly anxious that the pleasant relations existing between our two countries should be weakened, and finally severed, hence the strenuous efforts in that direction. I feel quite sure, however, that there is not the slightest possibility of such a contingency.

To show how false these rumors are, as well as to cement the friendship which now exists between our countries (which you and I know to be real and lasting) and to put an end to the jingo talk of the press both here and in Japan, would it not be an excellent idea for the Emperor to formally invite the Admiral and Commanders of our fleet, which is to cruise in the Pacific waters, to meet him at some convenient seaport in your country? I know that the American people would appreciate such an honor and that the greeting they would receive from your countrymen would banish all thought of a disruption of our pleasant relations. The Yankees of the West respect and admire the Yankees of the East, and every effort should be made to increase the harmony which now prevails.

Hoping, my dear Prince, that you are enjoying good health and happiness, I remain

Faithfully yours,

HENRY CLEWS.

MARQUIS ITO, TOKYO, JAPAN.

FLEET TO VISIT JAPAN.

INVITATION ACCEPTED.

NEW PROOF OF FRIENDSHIP BETWEEN THE TWO NATIONS.

Official Statement from Washington, March 20.

The American battleship fleet is to visit Japan. The desire of the Emperor to play host to the "Big Sixteen" was expressed to Secretary Root yesterday by Baron Takahira, the Japanese Ambassador. The invitation, which was in the most cordial terms, was considered by President Roosevelt and the Cabinet to-day. Secretary Root was directed to accept the invitation, and the acceptance was communicated to Baron Takahira this afternoon.

CHAPTER LXXXVIII.

THE EMPEROR OF JAPAN.

DECORATES HENRY CLEWS WITH THE ORDER OF COMMANDEUR OF THE MOST DISTINGUISHED ORDER OF THE RISING SUN—ON THE INSIGNIA IN JAPANESE LETTERS IS "KUN-KO-SEI-SHO"—WHICH MEANS "EXALTED MARK OF MERITS AND SERVICES."

LETTER FROM VISCOUNT KANEKO.

New York Tribune, March 21, 1908.

TOKYO, March 23, 1908.

MY DEAR MR. CLEWS:

Please accept my heartiest congratulation on the new honor which has been added to your already distinguished life by His Imperial Majesty, the Emperor, who was pleased to confer upon you the Imperial Decoration, in recognition of your valuable service to this country. In due time, I know, Ambassador Takahira in Washington will officially present it to you. I hardly need say how gratefully I am appreciating your kind friendship which enabled me to perform whatever was entrusted to me, though to a very modest extent, during my sojourn in your land in 1904-1905. And in this connection, I assure you that I now look back, with much feeling, to those pleasant times I had with you in America. I sincerely hope that our next meeting will soon be in this country where your special interest in us is already so greatly appreciated, as is shown in the recognition which has been given you by the Emperor this time.

With my renewed assurance of the warmest regards to yourself, and hoping that this will find you well, I remain,

Very sincerely yours,

(Signed) KENTARO KANEKO.

MR. HENRY CLEWS,

NEW YORK CITY.

COPY OF LETTER TO VISCOUNT KENTARO KANEKO.

April 25, 1908.

My Dear Viscount:

I am in receipt of your most highly appreciated letter of March 23d, for which I cordially thank you; and I am daily expecting to be honored by receiving the Imperial Decoration which you state is to be conveyed by Ambassador Takahira. Upon its receipt I will formally express my gratification to his Imperial Majesty, the Emperor, for the great honor conferred.

If Japan were nearer to New York I might be able to promise that our next meeting would be in your own country—the Land of the Rising Sun—but as you have achieved so much good for Japan, in the United States, I doubt not that business, or international diplomacy, of which you are one of the masters, will bring you here again, when, I assure you, you will be received with the honor and respect which your distinguished services and your high personal character entitle you to expect.

With assurances of the highest regard and friendship for you and your countrymen, I have the honor to remain,

Very sincerely yours,

HENRY CLEWS.

Viscount Kentaro Kaneko,

Tokyo, Japan.

CONSULATE GENERAL OF JAPAN.

60 Wall Street, New York City,
April 27, 1908.

Esteemed Sir:

Referring to the official dispatch of even date, I take liberty to ask you to appoint some afternoon in the near future which will be convenient for you to receive me at your home or elsewhere when I will have the honor and pleasure of carrying out the important mission of presenting you with the distinguished mark of honor. With kind regards,

Yours very respectfully,

(Signed) K. MIDZUNO.

Mr. Henry Clews,

630 Fifth Avenue, New York City.

I named Sunday, May 3d, at half-past one o'clock, at my residence, 630 Fifth Avenue, and invited a large number of friends to luncheon, which made the occasion a most enthusiastic and enjoyable one.

The Honorable Kokichi Midzuno, said: Mr. Clews, acting under the instructions of His Excellency Count Tadasu Hayashi, Minister of Foreign Affairs, I have the honor to inform you that His Imperial Majesty, the Tenno of Japan, my August Sovereign, as a special token of Imperial good will, has graciously been pleased to confer upon you the decoration of Commandeur of the most distinguished order of the Rising Sun, and I have the honor to present to you the said decoration. In performing this most pleasant duty, I deem it my privilege to avail myself of this occasion to tender my hearty congratulations and to convey to you, Esteemed Sir, the assurance of my highest consideration.

Which was replied to by me as follows:

MR. MIDZUNO:

In receiving at your hands under the instructions of His Excellency Count Tadasu Hayashi, Minister of Foreign Affairs for the Empire of Japan, the decoration of Commandeur of the most distinguished order of the Rising Sun, bestowed upon me by His Imperial Majesty, the Emperor of Japan, as a special token of his good will, I respectfully acknowledge my high appreciation of the honor, and shall always value the distinction as one of the greatest that could be conferred upon me. I shall ever regard it not alone as a flattering compliment to myself, and a recognition of such services as I have been able to render, but as an emblem of the friendly relations that bind Japan and the United States together in a bond of sympathy; and I trust that this tie of friendship will never be weakened. I at least will always endeavor to strengthen it.

I have long been intimately conversant with the affairs of Japan, and been deeply and sympathetically interested in the rapid and wonderful development of the Empire, and all the more so in consequence of my good fortune in having had the personal acquaintance, while they were in New York, of those two distinguished Japanese Statesmen, who are now Prince Ito and Viscount Kentaro Kaneko. Moreover, the correspondence that has passed between us since their return to Japan has only quickened my regard, and heightened my admiration for them and their Country. Both have proved themselves great in peace as well as war, and may the light of the Land of the Rising Sun never grow dim, and America and Japan be joined by their mutual interests in unbroken peace and concord forever.

With many thanks to His Imperial Majesty, the Emperor, for this great honor, and to His Excellency Count Tadasu Hayashi, as well as yourself, for your courtesy in the fulfilment of your duties, and for the evidences of your personal friendship for me, which touches me deeply, I assure you that my appreciation cannot be expressed in words.

This symbol of the Rising Sun indicates the coming of the day of greatness of your nation, and my fervent hope is that darkness may be unknown in your land.

In the midst of our festivities to-day there is a cloud, and I desire to express my deepest sympathy to the people of Japan in the loss of so many young lives in the disaster which visited them during the past week. Though dead, these young men still live as an example to others that a life given to country in time of peace deserves the same lasting glory as though given in battle.

I then requested the ladies and gentlemen to fill their glasses and rise and drink to the health of His Imperial Majesty, the Emperor of Japan.

The Consul General of Japan answered the toast as follows:

MR. CLEWS, LADIES AND GENTLEMEN:

As the local representative of Japan, I have the pleasure and honor to thank you for the toast to His Imperial Majesty, proposed by our esteemed Host and so heartily joined in by you all. It is high honor as well as great pleasure that I was in a position to personally present that high mark of honor to Mr. Henry Clews. But what makes me most happy is that this came in most opportune time, when the international horizon which was said to be more or less clouded for some time has become clear—so clear that even the yellowest journals of this country which are sparing no efforts to stir up anti-Japanese feeling among American people, can no more find any meteorological item for a pessimistic weather forecast. Now that all transient and incidental questions between your country and ours have been settled in an amicable way, now that your government, on behalf of your people, have gladly accepted our invitation to participate in the Grand Exposition to be held in Japan in 1912, and now that my fellow countrymen in Japan have most pleasant anticipation to welcome the officers and men of your mighty fleet of battleships

in our beautiful ports, I hope and trust that the most friendly relations between two nations, which have existed and are happily existing, will be an everlasting one.

In conferring upon you, Mr. Clews, that high mark of honor which I have just had the pleasure to present, His Majesty is reflecting the friendly feeling and unfeigned affection that fifty millions of His faithful subjects entertain toward the people of this great Republic for their kind guidance and unshaken sympathy shown to Japan and her people from the time when your great Commodore knocked at the door of our Island Empire to invite its secluded people to the comity of nations down to the present day, not to speak of the most trying time Japan passed through a few years ago, and their gratitude for the most valuable service rendered by American people to effect the termination of hostilities and restoration of peace through the far-sighted, active, and able good offices of your great President, whose toast I beg to propose.

My acknowledgment by letter of the honor conferred upon me:

May 2, 1908.

DEAR SIR:

Please convey to his Imperial Majesty, the Emperor of Japan, my sincere thanks for bestowing upon me, as a token of his good will, the Imperial decoration of Commandeur of the most distinguished order of the Rising Sun. No words of mine can fitly express my high appreciation of this honor, and I shall always value the distinction as one of the greatest that it has been my good fortune to achieve. I consider it a symbol of the friendly relations existing between Japan and the United States—a friendship which, I assure you, I shall endeavor to foster and promote to the best of my ability.

With many thanks to his Imperial Majesty for the honor conferred upon me, of which I am justly proud, and to your Excellency for your kind offices in my behalf, I have the honor to remain,

Most sincerely yours,

(Signed) HENRY CLEWS.

HIS EXCELLENCY COUNT TADASU HAYASHI, MINISTER OF FOREIGN AFFAIRS OF THE EMPIRE OF JAPAN.

The following letter from Prince, then Marquis, Ito is interesting as a part of the world's history, and shows the feeling and friendship of that great statesman:

TOKYO, April 14, 1904.

DEAR SIR:

In answer to your letter of February 17th, let me first of all thank you most sincerely for the constant sympathy you have shown to our country's cause. Your friendly efforts on the occasion of the Chino-Japanese war are still fresh in my memory and in the memory of all those who have heard of them. And, in general, the sympathetic attitude of public opinion of your country is a great encouragement to us in our faith that in fighting for our own future security and undisturbed enjoyment of the fruits of civilization, we are to a certain extent fighting also for the common cause of all. Just as you say, the supremacy of Russia in Corea would mean not only a constant menace to the very existence of our island empire, but would also mean the wholesale destruction of our commercial and industrial interests already legitimately vested there in the past, not to mention the loss of natural outlet for our expanding people. The constant policy of Russia in this part of the globe has steadily inclined toward monopolization of natural resources of the country she conquers and annexes. Her Manchurian policy is the irrefutable evidence of the above statement. So that in fighting for our own interests we are at the same time fighting for the principle of "fair competition all around" in these new markets of the world. I am indeed very sorry that the negotiations carried on on our side, with sincere "bona-fide," were not crowned with success so earnestly desired. If the Russian Government were a little more inspired by the spirit of moderation and of

toleration for the legitimate interests of others things would not have come to this pass. As it was, there remained no other way for us but to try to enforce by arms what we could not do by reason. And we had to do so ere it would have become too late, for Russia was steadily and rapidly augmenting her fighting forces available in this part of her empire, so that before long the sheer mass of her fighting power would have made it a folly for us to attempt to resist the unscrupulous march onward. It has been nothing but a coolly thought-out step in the cause of State necessity. And I am much gratified to see that you as well as the general public opinion of your country, have understood our motives in their true light.

Hoping that you are enjoying as robust a health as when I saw you last in New York, and also hoping to be able to see you again in no distant future,

I remain, yours sincerely,

(Signed) MARQUIS H. ITO.

HENRY CLEWS, ESQ.,

New York City, U. S. A.

The following article, which I wrote at the time for one of our leading magazines, contains matter which may be instructive to my readers:

May 24, 1904.

The success of the Japanese in the present war with Russia is due to their great zeal. What they undertake to do, they generally do with great earnestness of purpose, which calls forth sacrifice, energy, courage, and determination. The concentration of all these qualities is the basis of success in all undertakings whether large or small. The success of the Japanese is easily accounted for also by the fact that they love their Emperor as a people—they are willing to fight for him and to die for him, added to which, they are fatalists and are not afraid to face death on the battle-field, because they firmly believe that the next world is better than this, and therefore to die in a good cause, especially in fighting for the salvation of their country, secures a high and honorable position there. Against these characteristics, which back the Japanese in the present war, their antagonists, the Russians, fear their Emperor, and under the autocratic rule of the nation soldiers are very often put into the army through force and kept there. There is a vast difference, therefore, on the battlefield, in the fighting qualities of soldiers who are backed by love of their Emperor and soldiers who are backed by fear of their Emperor. Then again, the discipline of the Japanese soldiers is of a more intelligent and up-to-date order than that of the Russians. Each regiment in Japan is composed of 400 men with a captain in command who carries a sword. Their training provides that if anything should happen to the captain, and his sword should fall to the ground, it must be taken up on the instant by the next in rank, and if anything should happen to him, the next in rotation takes his place, and so on all the way through to the last man; and each man to the end of the 400 is capable of picking up the sword and commanding with it, which also means to continue the fight until the last man in each regiment is killed or disabled; in other words, the fight is never to be given up except by total extinction. As an evidence of the interest and earnestness of the Japanese people, it is customary, amongst the trades-people, whenever a family that they have been supplying with the necessaries of life is deprived of the father of the family, in consequence of his going to the war, to continue to supply all their needs the same as before and without sending any bill therefor. It is pretty difficult, therefore, for the Russians, notwithstanding that they so largely outnumber the Japanese, to whip such a determined, forceful people either on land or sea.

There is scarcely an important college anywhere in the world in which Japanese students are not to be found studying for all vocations, and they are bent upon acquiring the best and most up-to-date methods in all walks of life. Admiral Togo was educated at Annapolis, and the American, English, and Continental colleges have educated many of Japan's best army and navy officers now engaged in the war.

The Japanese are not given much to invention, but they possess great discernment and discrimination; they know a good thing when they see it, and are very skilful in imitation. Fifty years ago, when Commodore Perry successfully negotiated for the opening of the Japanese ports, that nation's intercourse with the outside world commenced. A few years thereafter a commission was appointed to frame a constitution. This commission visited all the great nations in pursuit of information. They familiarized themselves with the American constitution and the basis of the government of other nations; they culled the best from all and put it into their constitution. It took them seven years to accomplish it. When they made their report to the Emperor he accepted it without any modifications whatsoever, and notwithstanding the great changes that have taken place in that country in consequence of its growth and development, there has been no occasion up to this date to in any way change that document.

They also appointed thirty-five years ago a commission, with the present great statesman, Marquis of Ito, at its head, to visit the various nations with a view of obtaining the best information possible in order to establish a financial system. On their trip around the world to study the various foreign financial systems with a view of adopting one up to date for Japan, they first came to this country and brought official letters to General Grant, then President. General Grant turned them over to me to teach them our financial system. I posted them up thoroughly on our financial methods. They then went to England, France, and Germany, and returned to Japan via the Suez Canal. On their return, their report strongly favored the adoption of the American system. It was accepted by the Government, and their Secretary of the Treasury appointed me their agent to get up the engraving of their new currency and bonds, similar to those of the United States Government. I sent the phraseology and denominations of all our different demand notes and various bonds to them, and they transferred the same into their own hieroglyphics and sent them to me. I had the same beautifully steel engraved through the Continental Bank Note Company, who were the lowest bidders, in competition for the work. Since that time I have kept up a most interesting and exceedingly friendly acquaintance and correspondence with Marquis Ito, and his recent letter to me contained much of interest, as it gave most excellent reasons for Japan being involved in the present war, which he said was not from his country's desire, but through necessity, as a matter of defense.

CHAPTER LXXXIX.

THE NATIONAL CORPORATION PROBLEM.

[13]

13. An address by Henry Clews, LL.D., delivered at the First Annual Banquet of the Economic Club of Manchester, New Hampshire, May 20, 1908.

Mr. President and Members of the Economic Club:

The political and popular clamor against the industrial Trusts, with which we have been long familiar, was due primarily to the anti-monopoly sentiment of the people, but in a far greater degree to the crushing of competitors, through unlawful and unjust methods, by some of the conspicuously large corporations, as Government prosecutions have shown.

Hence public hostility to the Trusts increased, and remedial legislation was called for. The general feeling was that as a Trust had neither a body to be kicked nor a soul to be damned it should be handled by the law without gloves, and with the utmost rigor.

The exposure of the railway rebating evil by which competition had been destroyed, and great monopolies built up resulting in colossal fortunes for their principal owners, added fuel to the fire of this indignation; and similar abuses and unlawful practices by certain Trusts showed how strong combinations of capital had preyed upon, and killed off, weaker ones, and individual traders, to an extent that made the injustice of it a national scandal.

Owing to the inflamed state of the public mind, some of the laws enacted to remedy the evils complained of may have been too drastic for the purpose. But excesses of this kind correct themselves. Such laws are either not enforced, or repealed after being enforced. As General Grant once said to me,-“The surest way to repeal a bad law is to enforce it.” We have fortunately always a safety valve in public opinion, which never errs in the long run, and the public opinion of a nation is reflected in its laws.

The immensity of corporate interests in the United States is suggested by the fact that, including prominent city banks and Trust companies, there are more than 20,000

corporations reported in the manuals devoted to them. Of these 1,512 are active, operating railway companies, 1,129 electric traction companies, 1,158 gas, electric light and electric power companies, 267 water companies, 259 telephone, telegraph and cable companies, 1,510 active, operating and producing industrial and miscellaneous companies, 880 active or operating mining companies, and 13,500 banking, insurance and other financial companies.

The railway companies cover 222,013 miles, and they had a capitalization and bonded debt, on the 1st of January, 1908, of $13,908,456,846, at par.

The industrial and miscellaneous companies had at the same date a capitalization of $9,849,833,000, and the stocks of all the corporations in the United States aggregated more than $33,600,000,000 at par, exclusive of banks, Trust companies and other financial institutions.

In connection with the present enormous railway mileage of the country, it is interesting to note that as recently as 1865 there were only 3,085 miles in operation; and in 1879—the year of specie resumption, after the long civil war suspension from 1861—this total had only increased to 86,556 miles.

These figures remind us of the great rapidity with which new railway corporations were subsequently organized, and laid their tracks, while old ones extended their lines from Maine to California, and the St. Lawrence to the Gulf of Mexico.

We can also remember the nation's phenomenal progress simultaneously in all other directions, and that, before 1880, Trust companies and industrial corporations were few and far between in comparison with the great multitude of those with which we have now to deal. The modern era of these striking features of our business life, and the development of the industrial Trusts which now cover the country, East, West, North and South, had then hardly commenced.

Yet our great corporations, and our great railway systems are still growing and multiplying, and will continue to grow and multiply to meet the wants of our rapidly increasing population for generations to come, till every part of our vast territory is thickly settled. Railways and manufactories represent our largest corporations, and are next in importance to our unlimited agricultural resources and mining interests.

They remind us too, that while these and all other corporations need regulation by law, this regulation should never hamper, or interfere with, their legitimate activities and expansion, however strict and severe it may be in prohibiting and punishing wilful violations of law and other abuses of power.

It is significant of the power and extent of our railway systems that these—fifty-seven of them in all—operate, or control, six hundred and eighty-eight subsidiaries, or jointly controlled railway companies, embracing 196,425 miles of road, with an aggregate of

outstanding stock of $4,750,325,000, and $8,180,780,000 of bonds, a total for both, at par, of $12,931,154,000. These figures are exclusive of stocks and bonds held in the treasuries of the companies.

Thus nearly ninety per cent of the steam railway mileage of the United States is operated, or controlled, by the fifty-seven systems. The remaining ten per cent of the country's railway mileage is composed mainly of short, independent and disconnected lines, some of which are run at a loss, and many without reporting any considerable profit.

Railway corporations in this country are therefore, except as to this unimportant ten per cent, a great consolidated force, for the fifty-seven systems that control ninety per cent of the mileage, are equivalent to so many Trusts, and these can join hands in a solid phalanx at any time for any lawful purpose, and practically form one great railway Trust spanning the continent, a gigantic power that but for law would be a monopoly.

So the National corporation problem is largely one of the railways, and it involves the best way for the Federal Government to regulate these, and all the corporations, in the interest of trade, commerce and the people, and to do this without imposing unnecessary restrictions upon their legitimate operations and development.

The corporation problem in this country is still new and unsolved, but it has assumed immense national importance through the growth of the large industrial Trusts during the last twenty years. Before that they were unknown, and they have to a large extent revolutionized business and business methods in the United States.

They resulted from the enormous and rapid increase of our population, industrial activity, industrial development and wealth, and the consequent increase of competition in all branches of trade. Corporations, good, bad and indifferent, sprang up like mushrooms, and then combinations of corporations into larger ones took place, and we had Trusts.

These were organized ostensibly to secure economies in management which, in conjunction with their large capital, would enable them to compete advantageously with smaller concerns in the same lines of business, and give them more or less control of their markets.

But in doing this they of course threw many out of employment, and forced many of their smaller competitors out of business. Consequently the popular sentiment against them at first was very strong and the cry of "Monopoly" was often heard.

It was found however that the rise in prices that had been generally apprehended as a result of the formation of Trusts did not occur, at least not to any disturbing extent. So public hostility to them quieted down, although their struggling and ruined competitors still felt sore over their rivals' success, all the more so when it was discovered that

most of them were making far larger profits than had ever before been made in the same industries. If this had always been done honestly there would have been no reason to complain.

The great industries dominated by Trusts included, besides petroleum and sugar refining, iron and steel working, copper and other metal and mineral mining, India rubber and tobacco manufacturing, distilling, and also many miscellaneous manufactures, in addition to those in other lines than manufacturing. The traders who had occupied these fields of industry before them looked small indeed beside these new corporation giants.

Discrimination in favor of one and against another by railway corporations was an iniquity that built up large fortunes for a few and starved and ruined many. But that, let us hope, has been effectually stopped forever by its exposure and denunciation by President Roosevelt and the Federal legislation which it provoked; and any revival of it should be punished with the utmost rigor of the law, not by fines but by imprisonment of both the giver and receiver of rebates.

Fines can be easily paid by large corporations, however much their stockholders may suffer, but being placed behind iron bars is always distasteful, if not terrible, to their officers; and it leaves a stigma that they are anxious to avoid.

Their aversion to being disgraced in the eyes of their families and friends by imprisonment as criminals will always tend to make them extremely cautious not to incur this risk, however willing through lack of moral scruples, some of them might be to violate the anti-rebate laws if they could do so with impunity, and however much they might be aware that lawlessness, apart from the question of dishonesty, is anarchy, and therefore unpatriotic.

Corporation looting in its various forms, and political contributions of corporation money, are, like rebating, equally wrong in principle, and should be punished with equal severity and involve compulsory restitution. That is really the only way to prevent the recurrence of such wrongs by the unprincipled.

Judge Anderson, in charging the jury at the trial of John R. Walsh in Chicago for bank frauds, said: “The law presumes that every man understands and foresees the natural, legitimate and inevitable consequences of his acts. The color of the act determines the complexion of the intent. The intent to injure or defraud may be presumed when the unlawful act which results in loss or injury is proved to have been knowingly committed.”

Many of the irregularities, abuses and questionable methods of large corporations resulted no doubt from the haphazard speculative manner in which they were organized. Their promoters and organizers had always, or nearly always, speculative objects in view in forming the combinations we call Trusts. They looked for their first profit in the

stock deals involved in them, and were generally willing to give extravagant prices, payable in stock, for properties that they wished to control and bring into these new Trusts.

This, of course, caused overcapitalization, and in many cases this overcapitalization was equivalent to several times the actual value of the properties embraced in the Trusts created, and in some instances to many times their value. Then too extravagantly high salaries were given to the men in control of such organizations for their services as officers. They were generally "on the make," working for Number One—that is for themselves—as well as the Trusts.

It often followed that, in their efforts to float their stock and pay dividends, loose and none too scrupulous practices were resorted to, and more or less false and exaggerated representations were made as to actual values and conditions. So greed and graft dominated not a few of them more than the interests of their outside stockholders.

They were in a position where they could help themselves to the cream, and leave the skim milk for the investors, and not many of them neglected their opportunity to skim the cream, and to feather their nests more or less, in the last few years, before stricter laws were passed by Congress and the States for the management of corporations.

The laxity of both the State and Federal laws with regard to corporations, till recently, permitted much to be done in the dark, which is now rendered impossible by the light of publicity that is required by the new enactments, as well as by various prohibitions of dishonest practices, besides that crowning evil, railway rebating, that were before prevalent.

Campaign contributions by corporations were wrong, morally and legally, not because political contributions are wrong, but because they were a wrongful and illegal use of corporate money. But the controlling officers of many large corporations, particularly the New York City Railways and large life insurance companies, were woefully blind to this, so accustomed had they been to handling corporate funds in their charge as if they owned them, and could do as they pleased.

These transactions were almost on a par with some of those connected with the purchase at a fictitious price of a certain Street Railway—a practically non-existent line—in which large capitalists were concerned. Here was a flagrant instance—involving a diversion of half a million dollars—of the doings of men controlling a great street railway system, at the expense of the stockholders whom it was their duty to faithfully serve and protect.

That many dishonest acts by men controlling corporations have gone unpunished is greatly to be regretted, and looks very much like a miscarriage of justice. But let us believe that dishonesty was exceptional and honesty the rule in corporate management.

Where punishment is inflicted for infractions of the law involving larceny, it should be the same as for giving or receiving railway rebates. Fines have no terrors for wealthy evildoers who violate the law for their own sinister ends at the expense of others.

The popular hostility to the Trusts however, was often too indiscriminate. It made little or no distinction between the good and the bad. The Trusts were, as enlarged corporations with large capital, a national trade development of our time.

Aiming at greater production, economy and efficiency, through their large means and modern improvements, than had been possible with small concerns, they marked a forward step in that progressive industrial, commercial and financial march which has created our vast national wealth and made this country the Wonder of the World.

But of course it was inevitable that these Trusts, with their large capital, and new and improved methods and machinery, should supersede to a great extent the old order of things, and take away from them the business of others that they competed with. It is only natural that the stronger competitors should more or less dominate or destroy the weaker, and the success of the Trusts was merely another illustration of the survival of the fittest. This is a law of Nature which it is useless to resist.

It is therefore not against the creation of Trusts, but against injustice, lawlessness, misrepresentation, looting and other evil practices in the management of Trusts that we have a good right to complain, and against which the strong arm of the law should be always raised. A well and honestly managed Trust can do business as legitimately, and with as much or more, advantage to the public, as any individual, any firm, or any small corporation can.

But there is constantly greater temptation to wrongdoing by those in control of large corporations than is the case in small ones. We have seen many instances of the abuse of power in these, not only in forcing the allowance of rebates from the railways, but in other unjustifiable ways calculated to get the upper hand of competitors, or kill them off entirely, as well as in the misuse of corporate funds for speculative purposes, to say nothing of appropriations through that too common form of dishonesty called graft.

Men in high positions in corporations have often done in secret, in the way of chicanery what they would have been both ashamed and afraid to do openly. But now that the old practices have been exposed and the new laws require publicity of accounts, and have closed the door to the many opportunities for fraud and graft that were before open, through severe penalties, we have a purer business atmosphere and a higher moral tone in our business life. So some good has come out of our corporation scandals, and public sentiment has been aroused against corporate corruption and all abuses of power.

Corporations no less than individuals of course have rights which should be scrupulously respected by both our Federal and State legislators. But one defect in corporation legislation by Congress, as well as the States, has often been that it failed to make a sufficient distinction between what may be called private and public corporations. It stands to reason that railway and industrial corporations, and all public utility companies, that have sold their stocks and bonds to the public, and had them admitted to dealings on the stock exchanges should have their condition subjected to stated periodical examinations and publicity which would be uncalled for in the case of smaller corporations that had not marketed any of their securities, and whose earnings and affairs had no interest for the general public.

The railway companies are now required by law to keep their books and accounts in a certain prescribed form under the supervision of the Interstate Commerce Commissioners, and this is the right kind of publicity, for it permits of no cheating, nor of any neglect to comply with the law. The record of each day's business tells the story and these books and accounts are all the time open to Government inspection. But such regulations would be unreasonable if applied to the small private industrial corporations.

Honestly managed and solvent corporations have nothing to fear from publicity as to their financial condition, although they have a perfect right to guard their trade secrets from publicity, provided they are free from any dishonest or illegal taint. Well and honestly managed public utility corporations are our best protection against municipal ownership, which in this country would be sure to involve political corruption, and probably poor service.

It would be a step towards socialism, and socialism in this country would be antagonistic to our government, our institutions and our national progress, and should be resolutely resisted and frowned upon by all Americans. It is a weed transplanted from the hotbeds of European despotism that can never flourish here, for our soil is entirely unsuited to it.

Publicity at regular intervals of earnings and conditions by railway, industrial and other corporations creates confidence where confidence is merited, while exposing weakness where weakness exists. By eliminating that which is unsound and dangerous, it benefits the sound and the safe, and removes grounds of suspicion injurious to all.

Secrecy is the defense of the weak, and they naturally shirk the light; but the public interests demand that all the large corporations submit to it, and stand or fall according to their merits. This applies to banking and insurance as well as manufacturing, trading and transportation corporations, all, in this respect being in the same class.

To facilitate this publicity and ensure simplicity and accuracy the books and statistics of corporations should be kept in a clear and systematic manner that any examiner could

easily understand. I say this because in some large corporation failures that have occurred much irregularity and confusion of accounts was found.

This not only delayed the receivers in ascertaining the amount of the assets and liabilities, but showed that the officers of the failed concerns could not have been very closely conversant with their precise condition when they suspended. Bad, or careless book keeping, accounting and office management has led to many important corporation failures that good work in that department might have averted.

Corporations should therefore, be careful to supervise their clerical forces closely, and also employ accountants to make periodical examinations and audits of their books, for accounting and statistics in these days have been raised to the importance of a science.

Old fogyism, wherever it still exists, should be made to give place to improved and time saving modern methods. These may be small matters to dwell upon, but a close observance of them is necessary to good corporate management in this age of close competition and aggressive enterprise. All that is out of date, or needless, or a drag upon progress, or which handicaps business development should be promptly discarded.

The political influence of large corporations has so far not received as much consideration as it deserves. But it is a factor in our State and national business life that is more and more making itself felt in an unobtrusive but none the less effective way.

We have seen this manifested in the strong and numerous protests, emanating from this source, against the national government and the interstate commerce commission consenting to the general rise of freight rates conditionally agreed upon by the Eastern and other railways. In making these protests to President Roosevelt the corporations are well aware that he can control the action of the interstate commissioners in the matter, and by a word cause them to either give or refuse permission to raise railway rates. They know too that his keen political observation and insight will cause him to weigh and consider with the greatest care the effect of the administration's course in consenting, or refusing to consent, to this inconsistent proposal to raise railway freight rates in such a period of trade depression as this, when more than 413,000 cars are idle. In view of the Presidential Campaign, and the issue to be decided at the polls next November, not merely by the politicians, but by the people, he will not underrate the importance of the railway corporation question as a political factor.

We saw that the President's communication to the interstate commissioners a short time ago directing an investigation by them in relation to the need of the proposal of the Southern railways to reduce wages, resulted in an immediate abandonment of their announced plan to reduce them, and in fact all the railways were similarly influenced by

that act of his. He knew that the reduction in one section would be the entering wedge for a general reduction, and perhaps a strike.

So the railways switched off the reduced wages line to the increased freight line, thinking that the President, from what he had said, as he surveyed the situation from his political observatory, would prefer the alternative of higher freight rates to lower wages. Here comes the rub. It is a two-edged political sword that President Roosevelt, above all others, will see requires to be very cautiously handled.

Without great care in this difficulty the administration might find itself between the upper and the nether millstone of a very ugly question, and in active antagonism with either the large corporations and the whole mercantile community, on the one hand, or the railways, on the other, with both sides bringing all their political influence and artillery into play.

Here would be an acrimonious contest that could not fail to affect political results in November. The President would very naturally be anxious to avert it, but how to reconcile the two opposite courses of saying yea or nay to the railways, and secure harmony between them and Labor, is a problem hard to solve.

In connection with the proposition agreed to by the officers of the Eastern trunk railways to advance freight rates from ten to fourteen per cent, it is well to consider that the gross earnings of all reporting lines in February showed a decrease of twelve and one half per cent from those of last year, and that in March the decrease was 14⅜ per cent, the result of the prevailing industrial depression, particularly in the iron, steel and coal trade and the New England cotton and woolen milling industry.

The proposed increase would, of course, have to be added to the cost of the commodities carried, and saddled upon the consumers. It was therefore to be expected that a flood of indignant protests would come from these, as well as from large shippers and the rank and file of the mercantile community. They have urged the injustice of such an advance in these hard times, and in the teeth of an average contraction of fully twenty-five per cent in the demand for goods. But the railways in reply point to the refusal of the U. S. Steel Corporation and other large trade combinations to lower their prices for railway materials, as well as to the political and other work of the Labor Unions, at Washington and elsewhere, in support of their determination to keep wages up to the highest figures of prosperous times, refusing meanwhile to listen to any terms of wage readjustment to the situation as it is. These are extenuating circumstances, but two wrongs do not make a right; and the best way of adjusting these differences is a difficult corporation and labor problem of itself.

It may surprise some to learn that the great power concentrated in the President's hands by Congress has made the great corporations, including the railway companies and banking institutions, ambitious and eager to control the Federal Government itself,

and they are resolutely working to control it as far as they can by the force of capital, but as unobtrusively as possible. They know that their designs to make the money power supreme would arouse popular indignation, so they are engaged in a still hunt, and Samuel J. Tilden used to say that this is what wins in politics and a political campaign.

The Government control of the Trusts, the railways and other corporations has become so great that it is hardly to be wondered at that the great object that they have now in view should be to control the government's policy, and already they are *sub rosa* powerful political machines. In this connection it is significant that some large railway and banking interests have identified themselves with the Presidential movement. Every fresh extension by Congress of the President's power over corporate interests has made the large corporations—industrial, railway and financial—with their enormous capital and resources, more and more bold and determined in their efforts to control the Presidency, if indeed that is possible; and this motive underlies a great and growing amount of corruption in our National politics.

We can therefore see in the attitude and views of the great corporations, with their wealth and political influence, a possible menace to our Republic and its free institutions.

This is a matter of vast and vital concern to our citizens, and it is high time that their serious attention should be called to the fact that the powers with which the President is invested over the business of all classes of corporations have become so extended and far reaching that the Trusts and their railway and financial allies, are ready to sacrifice any moral principle, and pay any price within their power, to control the policy of the Federal Government.

So the greatest of all the National corporation problems we have now to deal with is how to curb and regulate, without injustice, the increasing political power and pernicious political activity of these and other corporations, and prevent them from accomplishing their great object, Government control, for this indeed would be a National calamity.

To President Roosevelt we are almost entirely indebted for the development we have witnessed in the National control of corporations under the authority of that provision of the Constitution which invests Congress with the power to regulate commerce between the States. This was a great task well performed, and only second to it in importance has been his activity in promoting Congressional legislation for the investigation, conservation and increase of the country's National resources, including the irrigation of arid regions, the establishment in the public domain of forest reserves, which had been too long neglected, and the extension and increased efficiency of the geological survey.

Closely allied to those National interests and the Federal management and control of corporations has been the President's direction of the work of the Department of Commerce and Labor, the act creating which provides that it shall be its duty "to foster, promote and develop the foreign and domestic commerce, the mining, manufacturing and fishing industries, the labor interests and the transportation interests of the United States."

As all the business of the country outside of banking and finance, is practically covered by this Department, its importance can hardly be overestimated, especially in relation to the great corporations; and it is in co-operation between these and the commercial organizations of the United States, in common with all the other designated business interests of the country, and this branch of the Federal Government, that harmony and good corporate management can be best promoted, and the political power and aspirations of the Trusts, the railways and the other corporations be effectually regulated and permanently curbed. To this result that Department's energies should steadily tend, for the political domination of this country by Trusts and the money power would be an intolerable evil, however much it might be hidden and disguised. It would be inimical to our form of government, and the spirit of all American institutions, and to ward off this threatened danger, by nipping it in the bud, is a public duty that the government owes to the people.

It is indeed likely to become our great National corporation problem; all the other problems relating to the Trusts, the banks and the railways being subordinate to this in importance, for it aims at political power for Capital, which would undermine the very foundations of our great and glorious republic—the government for which the patriots of the American Revolution fought so bravely at Bunker Hill, and then, crowned with victory, made 1776 glorious with the Declaration of Independence.

But forewarned, forearmed, and public opinion the great court of appeal, will always govern and keep the Trusts as well as all our other great business interests in line for the advancement of our National welfare and the prosperity of the people.

CHAPTER XC.

WHY I AM AN AMERICAN.

I came to this country from England over fifty years ago, expecting to stay for merely a short visit. I had barely learned the localities of the public buildings and the principal streets, when I began to perceive the possibilities that presented themselves to a young man, who had the courage to push, to compete for a place in the race for wealth and position. I liked the hustle and the bustle that contrasted so vividly with the slow and easy style which prevailed in my native country. I could not escape being drawn into the spirit which surrounded me, and I made up my mind that I would make my stand in life in New York, and I sought and found employment. Fortunately I had letters of introduction to people of culture and refinement, so my social surroundings were both attractive and beneficial. In a few years the Civil War broke out and the leaven was thereby added to the liking I had for the flag which floats for freedom, and I became a more ardent American than though this had been my native soil. I had the good fortune to meet the great men of those days and they whetted my appetite to rise to their level, and much of my success is due to the quiet influence they exerted upon my young mind. When I landed in New York, most o what is now the great West, was boundless prairie or dense forest, but even then the indomitable spirit of people around me yearned to subdue this wilderness and make it blossom and bear fruit. Millionaires were few in those days and truthfulness and honesty, combined with a willingness to work, were the necessary requisites to enable a young fellow to succeed. The fact that this was a government for the people, and by the people, did much to determine me that here I had found the promised land. No aristocracy to contend with but the aristocracy of brains and courage; no traditions of centuries to hang between you and your right to toe the scratch with any man. The country was growing beyond its population and immigration was invited in such an attractive way that the desirable classes from all over Europe were drawn to our shores. The fact that men born in humble life had become some of the world's leaders proved the possibilities that might come to any one who cared to try and who had the courage not to know when he was beaten. In this country Congress has always made, and is still making, laws that benefit all kinds and conditions of men who behave themselves. Before the law neither blue blood nor family tree protects any man

who violates the statutes, for all are free and equal. This nation has never fought for conquest of territory and wherever our flag floats it has a moral and undisputed right to do so.

The foregoing is but a summary of the volumes I might add to the reasons why I am an American. One more is that I cannot help being an American and I don't want to.

HENRY CLEWS.

CONCLUSION.

In conclusion I wish to ask public indulgence on account of omissions.

There are many brilliant financiers and skillful operators of the younger generation in Wall Street who have thus far shown that they are probably destined to a prosperous, and in some instances, an illustrious career.

Again, there are others of various ages and long experience, whose achievements have been of a quiet, unostentatious character and whose business lives and operations have been conducted with great reserve, yet with marked success.

Although these two classes have not yet done much to make their existence conspicuous in the public eye, while some of them, through excess of modesty, perhaps, have even shunned publicity, yet their lives have been replete with noteworthy events and the acquisition of very useful knowledge which, if preserved and recorded, would be highly interesting in the present, and probably not unworthy of being transmitted to the future.

I have a considerable number of these clever and worthy gentlemen in "the volume of my brain," for whom I have no space in this book, as it has already exceeded the dimensions which I had originally designed, but in an additional volume I intend that they shall be duly remembered according to the best of my humble ability and my opportunities of forming a just estimate of their deserts.

- Transcriber’s Notes:
  - The page number of final chapter ("CONCLUSION") was added to the Table of Contents.
  - A few illustrations were moved to be closer to the appropriate text.
  - Missing or obscured punctuation was silently corrected.
  - Typographical errors were silently corrected.
  - Inconsistent spelling and hyphenation were made consistent only when a predominant form was found in this book.